

TSANTSABANE

MUNICIPALITY



[These financial statements have not been audited]

FINANCIAL STATEMENTS

30 JUNE 2012

TSANTSABANE MUNICIPALITY

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TSANTSABANE MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

GENERAL INFORMATION

NATURE OF BUSINESS

Tsantsabane Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The Tsantsabane Municipality includes the following areas:

*Jenn Haven
Beeshoek
Groenwater
Skeifontein
Loatla
Glosam*

MUNICIPAL MANAGER

Mr O.J Isaacs(Acting)

CHIEF FINANCIAL OFFICER

Mr I.C. Nkadimang (Acting)

REGISTERED OFFICE

*13 Springbok street
POSTMASBURG
8420*

*P.O.Box 5
POSTMASBURG
8420*

AUDITORS

*Auditor General
Northern Cape*

PRINCIPLE BANKERS

*ABSA BANK
11 Springbok street
POSTMASBURG
8420*

*Branch Code: 334302
Acc No: 2130000021*

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Collective Agreements
Infrastructure Grants
SALGBC Leave Regulations

TSANTSABANE MUNICIPALITY

MEMBERS OF THE TSANTSABANE MUNICIPALITY

WARD

1 Ward Councillor
2 Ward Councillor
3 Ward Councillor
4 PR Councillor
5 Ward Councillor
6 Ward Councillor
PR councillor
PR Councillor
PR councillor
PR councillor
Mayor

COUNCILLOR

M. Oliphant
M.J. Tonyane
O. Kgoronyane
T.P. Phohle
J.J. Swart
M.C. Mashilishili
J. Rooiland
N.R. Pullers
S.R. Browne
O.M. Mabilo
E.E.J. Phete

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 78 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

Mr O.J Isaacs(Acting)
Municipal Manager

Date

TSANTSABANE MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2012

	Notes	2012 R	2011 R
NET ASSETS AND LIABILITIES			
Net Assets		641 377 042	434 084 875
Accumulated Surplus/(Deficit)		641 377 042	434 084 875
Non-Current Liabilities		14 667 961	10 905 358
Long-term Liabilities	2	2 538 157	351 816
Employee benefits	3	10 685 154	7 875 923
Non-Current Provisions	4	1 444 650	2 677 619
Current Liabilities		66 671 445	58 158 639
Consumer Deposits	5	841 190	515 512
Current Employee benefits	6	5 047 427	4 327 965
Provisions	7	1 477 950	-
Payables from exchange transactions	8	26 662 053	26 838 548
Unspent Conditional Government Grants and Receipts	9	18 932 368	9 005 942
Taxes	10	878 749	-
Cash and Cash Equivalents	18	11 839 577	14 390 425
Current Portion of Long-term Liabilities	2	992 131	3 080 247
Total Net Assets and Liabilities		722 716 448	503 148 872
ASSETS			
Non-Current Assets		684 804 157	480 064 863
Property, Plant and Equipment	11	677 671 114	472 591 131
Investment Property	12	6 426 655	6 561 092
Intangible Assets	13	706 388	912 640
Current Assets		37 912 291	23 084 009
Inventory	14	636 495	598 311
Receivables from exchange transactions	15	3 072 324	1 471 876
Receivables from non-exchange transactions	16	13 678 266	2 095 944
Unpaid Conditional Government Grants and Receipts	9	-	8 257
Operating Lease Asset	17	24 883	-
Taxes	10	-	125 655
Cash and Cash Equivalents	18	20 500 322	18 783 966
Total Assets		722 716 448	503 148 872

TSANTSABANE MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012 (Actual) R	2011 (Restated) R	Correction of error R	2011 (Previously reported) R
REVENUE					
Revenue from Non-exchange Transactions		277 891 558	80 015 468	4 703	79 999 413
Taxation Revenue		6 100 253	4 538 788	4 703	4 522 733
Property taxes	19	6 100 253	4 538 788	4 703	4 522 733
Transfer Revenue		88 515 828	75 251 603	-	75 251 603
Government Grants and Subsidies	20	88 515 828	75 251 603	-	75 251 603
Other Revenue		183 275 477	225 077	-	225 077
Third Party Payments		-	31 125	-	31 125
Contributed PPE	21	183 192 489	93 655	-	93 655
Fines		82 987	100 298	-	100 298
Revenue from Exchange Transactions		74 152 544	39 411 767	(23 413)	39 435 180
Service Charges	22	69 491 010	32 801 324	(23 413)	32 824 736
Rental of Facilities and Equipment		478 282	294 460	-	294 460
Interest Earned - external investments		1 162 282	1 206 135	-	1 206 135
Licences and Permits		873 648	542 887	-	542 887
Agency Services		590 806	755 884	-	755 884
Other Income	23	1 324 307	1 811 078	-	1 811 078
Gain on disposal of Property, Plant and Equipment		232 210	2 000 000	-	2 000 000
Total Revenue		352 044 102	119 427 235	(18 710)	119 434 593
EXPENDITURE					
Employee related costs	24	35 733 550	30 633 228	(41 983)	30 599 516
Remuneration of Councillors	25	2 286 408	2 292 141	-	2 292 141
Debt Impairment	26	34 509 590	33 199 493	-	33 199 493
Depreciation and Amortisation	27	27 010 106	23 791 631	66 037	23 725 594
Impairments	28	638	16 036	16 036	-
Repairs and Maintenance		1 637 420	1 995 278	39	1 995 239
Actuarial losses	3	2 005 247	408 003	-	408 003
Finance Charges	29	2 797 199	2 452 175	129 832	2 322 343
Bulk Purchases	30	23 576 168	18 184 594	-	18 184 594
Operating Grant Expenditure		5 390 951	11 677 416	-	11 677 416
General Expenses	31	9 804 657	15 910 239	(56 856)	15 967 095
Total Expenditure		144 751 935	140 560 234	113 106	140 371 434
NET SURPLUS/(DEFICIT) FOR THE YEAR		207 292 167	(21 133 000)	(131 815)	(20 936 841)

TSANTSABANE MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2012

	Accumulated Surplus/ (Deficit)	Total
	R	R
Balance at 30 JUNE 2010	450 915 938	450 915 938
Correction of error - Refer to note 32.11	4 301 937	4 301 937
Restated Balance at 1 JULY 2010	455 217 875	455 217 875
Net Surplus / (Deficit) previously reported	(20 936 841)	(20 936 841)
Correction of error - Refer to note 33	(196 159)	(196 159)
Rounding		-
Balance at 30 JUNE 2011	434 084 875	434 084 875
Net Surplus for the year	207 292 167	207 292 167
Rounding		-
Balance at 30 JUNE 2012	641 377 042	641 377 042

TSANTSABANE MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

	Notes	30 JUNE 2012 R	30 JUNE 2011 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Ratepayers and other		225 380 508	35 133 404
Government Grants and Subsidies		88 515 828	75 251 603
Interest		1 162 282	1 206 135
Payments			
Suppliers and employees		(76 900 290)	(64 437 639)
Finance charges	29	(2 797 199)	(2 452 175)
Cash generated by operations	34	235 361 130	44 701 326
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	11	(231 807 594)	(46 545 019)
Proceeds on Disposal of Fixed Assets		304 210	2 000 000
Purchase of Intangible Assets		(14 445)	(17 742)
Net Cash from Investing Activities		(231 517 830)	(44 562 761)
CASH FLOW FROM FINANCING ACTIVITIES			
Loans repaid		98 225	(593 034)
Consumer deposits raised		-	-
Increase / (Decrease) in Consumer Deposits		325 679	76 756
Net Cash from Financing Activities		423 904	(516 278)
NET INCREASE IN CASH AND CASH EQUIVALENTS		4 267 204	(377 713)
Cash and Cash Equivalents at the beginning of the year		4 393 541	4 771 254
Cash and Cash Equivalents at the end of the year	18	8 660 745	4 393 541
NET INCREASE IN CASH AND CASH EQUIVALENTS		4 267 204	(377 713)

TSANTSABANE MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8,10 and 11 of GRAP 3 (Revised – February 2010) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board

The Municipality resolved to early adopt the following GRAP standards which have been issued but are not effective yet.

Standard	Description	Effective Date
GRAP 1 (Revised – Mar 2012)	Presentation of Financial Statements	1 April 2013
GRAP 3 (Revised – Mar 2012)	Accounting Policies, Changes in Accounting Estimates and Errors	1 April 2013
GRAP 9 (Revised – Mar 2012)	Revenue from Exchange Transactions	1 April 2013
GRAP 12 (Revised – Mar 2012)	Inventories	1 April 2013
GRAP 13 (Revised – Mar 2012)	Leases	1 April 2013
GRAP 16 (Revised – Mar 2012)	Investment Property	1 April 2013
GRAP 17 (Revised – Mar 2012)	Property, Plant and Equipment	1 April 2013
GRAP 21 (Original – Mar 2009)	Impairment of non-cash-generating assets	1 April 2012
GRAP 23 (Original – Feb 2008)	Revenue from Non-Exchange Transactions	1 April 2012
GRAP 26 (Original – Mar 2009)	Impairment of cash-generating assets	1 April 2012
GRAP 27 (Revised – Mar 2012)	Agriculture	1 April 2013
GRAP 31 (Revised – Mar 2012)	Intangible Assets	1 April 2013
GRAP 104 (Original – Oct 2009)	Financial Instruments	1 April 2012
IGRAP 16 (Issued – Mar 2012)	Intangible Assets – Website Costs	1 April 2013

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

The Municipality resolved to formulate an accounting policy based on the following GRAP standards which have been issued but are not effective yet.

Standard	Description	Effective Date
GRAP 25	Employee Benefits	Unknown

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand. Financial values are rounded to the nearest one Rand. No foreign exchange transactions are included in the statements.

1.3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

1.6. PRESENTATION OF BUDGET INFORMATION

As noted, GRAP 24 is not effective yet, however budget information required in terms of GRAP 1 (Revised – March 2012) paragraph 11 to 14 have been disclosed in the financial

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

statements. The presentation of budget information was prepared in accordance with the best practice guidelines issued by National Treasury.

1.7. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality: Standard	Description	Effective Date
GRAP 6 (Revised – Nov 2010)	<p>Consolidated and Separate Financial Statements</p> <p>The objective of this Standard is to prescribe the circumstances in which consolidated and separate financial statements are to be prepared and the information to be included in those financial statements so that the consolidated financial statements reflect the financial performance, financial position and cash flows of an economic entity as a single entity.</p> <p>No significant impact is expected as the Municipality does not have any entities at this stage to be consolidated.</p>	Unknown
GRAP 7 (Revised – Mar 2012)	<p>Investments in Associate</p> <p>This Standard prescribes the accounting treatment for investments in joint ventures where the investment in the associate leads to the holding of an ownership interest in the form of a shareholding or other form of interest in the net assets.</p> <p>No significant impact is expected as the Municipality does not participate in such business transactions.</p>	1 April 2013
GRAP 8 (Revised – Nov 2010)	<p>Interest in Joint Ventures</p> <p>The objective of this Standard is to prescribe the accounting treatment of jointly controlled operations, jointly controlled assets and jointly controlled entities and to provide alternatives for the recognition of interests in jointly controlled entities.</p>	Unknown

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	No significant impact is expected as the Municipality is not involved in any joint ventures.	
GRAP 18 (Original – Feb 2011)	<p>Segment Reporting</p> <p>The objective of this Standard is to establish principles for reporting financial information by segments.</p> <p>Information to a large extent is already included in the appendices to the annual financial statements which do not form part of the audited financial statements.</p>	Unknown
GRAP 24 (Original – Nov 2007)	<p>Presentation of Budget Information in Financial Statements</p> <p>This Standard requires a comparison of budget mounts and the actual amounts arising from execution of the budget to be included in the financial statements of entities that are required to, or elect to, make publicly available their approved budget(s) and for which they are, therefore, held publicly accountable. The Standard also requires disclosure of an explanation of the reasons for material differences between the budget and actual amounts.</p> <p>Information to a large extent is already included in the notes to the annual financial statements and the impact is assessed to not be significant.</p>	1 April 2012
GRAP 103 (Original – July 2008)	<p>Heritage Assets</p> <p>The objective of this Standard is to prescribe the accounting treatment for heritage assets and related disclosure requirements.</p> <p>No adjustments necessary as the Municipality has no significant heritage assets other than the assets currently accounted for in terms of GRAP 17.</p>	1 April 2012
GRAP 105 (Original – Nov 2010)	<p>Transfer of Functions Between Entities Under Common Control</p> <p>The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.</p> <p>No significant impact is expected as the Municipality does not participate in such business transactions.</p>	Unknown
GRAP 106 (Original – Nov 2010)	Transfer of Functions Between Entities Not Under Common Control	Unknown

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	<p>The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.</p> <p>No significant impact is expected as the Municipality does not participate in such business transactions.</p>	
GRAP 107 (Original – Nov 2010)	<p>Mergers</p> <p>The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger.</p> <p>No significant impact is expected as the Municipality does not participate in such business transactions.</p>	Unknown
IGRAP 12	<p>Jointly Controlled Entities non-monetary contributions</p> <p>The objective of this Interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venturer to a Jointly Controlled Entity (JCE).</p> <p>No significant impact is expected as the Municipality does not have any JCE's at this stage.</p>	

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

1.8. LEASES

1.8.1 Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality shall recognise the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis.

1.8.2 Municipality as Lessor

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality shall recognise the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

1.9. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.10. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

The following provisions are set for the creation and utilisation of the grant is receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

1.11 UNSPENT PUBLIC CONTRIBUTIONS

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent public contributions are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent public contributions are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the municipality until it is utilised.
- Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.12. PROVISIONS AND CONTINGENCIES

Provisions and contingencies are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is possible that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is possible.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The Municipality has a detailed formal plan for the restructuring identifying at least:
- the business or part of a business concerned;
 - the principal locations affected;
 - the location, function and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented.
- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision shall be de-recognised..

1.13. EMPLOYEE BENEFITS

(a) Post Retirement Medical Obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(b) Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(c) Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

(d) Staff Bonuses Accrued

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year end for each employee.

(e) Provision for Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrue to Section 57 employees. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

(f) Pension and retirement fund obligations

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Defined benefit plans are post-employment benefit plans other than defined contribution plans. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

(g) Other Short-term Employee Benefits

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

1.14. PROPERTY, PLANT AND EQUIPMENT

1.14.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

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Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.14.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.14.3 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

	Years		Years
<u>Infrastructure</u>		<u>Other</u>	
Roads and Paving	5-50	Buildings	5-20
Refuse	3-30	Specialist vehicles	3-60
Electricity	5-50	Other vehicles	4-10
Water	3-100	Office equipment	3-10
Sewerage	3-100	Furniture and fittings	3-20
Housing	30	Watercraft	15
		Bins and containers	5
		Specialised plant and	
<u>Community</u>		Equipment	1-40
Buildings	5-30	Other plant and	
Recreational Facilities	20-100	Equipment	3-15
Security	30	Landfill sites	11
Halls	30-100	Quarries	5-25
Libraries	100	Emergency equipment	5-10
Parks and gardens	100	Computer equipment	3-20
Other assets	10-100		

Finance lease assets

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Office equipment	3-7
Other assets	3-7

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

1.14.4 De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.15. INTANGIBLE ASSETS

1.15.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the Municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the Municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

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Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

1.15.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.15.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<u>Intangible Assets</u>	<u>Years</u>
Computer Software	3-6
Computer Software Licenses	3-6

1.15.4 De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.16. INVESTMENT PROPERTY

1.16.1 Initial Recognition

Investment property shall be recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

1.16.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

1.16.3 Depreciation and Impairment – Cost Model

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

<u>Investment Property</u>	<u>Years</u>
Buildings	30

1.16.4 De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.17. NON-CURRENT ASSETS HELD FOR SALE

1.17.1 Initial Recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1.17.2 Subsequent Measurement

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.18. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.18.1 Cash-generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.18.2 Non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

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The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no

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impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.19. INVENTORIES

1.19.1 Initial Recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories shall be recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.19.2 Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

Cost of land held for sale is assigned by using specific identification of their individual costs.

1.20. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents (includes 'non-current investments'), annuity loans and payables (both from exchange and non-exchange transactions).

1.20.1 Initial Recognition

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability **or residual interest** not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. **Financial assets are recognised at amortised cost.**

1.20.2 Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.20.2.2 Receivables

Receivables are classified as financial assets at amortised cost, and are subsequently measured amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment. **The municipality assess for impairment at the end of each reporting period.**

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.20.2.3 Payables and Annuity Loans

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.20.2.4 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

1.20.3 **De-recognition of Financial Instruments**

1.20.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised **at amortised cost** when:

- the **contractual** rights to receive cash flows from the asset have **been settled or waived or** expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.20.3.2 *Financial Liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.20.4 ***Offsetting of Financial Instruments***

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

1.21. REVENUE

1.21.1 ***Revenue from Non-Exchange Transactions***

Revenue from non-exchange transactions refers to transactions where the Municipality received value from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, is a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine Revenue constitutes both spot fines and summonses. Revenue from spot fines and summonses is recognised as revenue when the receivables meet the definition of an asset and satisfy the criteria for recognition as an asset.

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Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

All unclaimed deposits are initially recognised as a liability until 36 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. This policy is in line with prescribed debt principle as enforced by the law. Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue shall be measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

1.21.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered/ goods sold, the value of which approximates the consideration received or receivable. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, is a subsequent event.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created. . The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as under Payables from Exchange Transactions in the Statement of Financial Position.

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Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse points per property.

Service charges relating to sanitation (sewerage) are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage. In the case of residential property a fixed monthly tariff is levied and in the case of commercial property a tariff is levied based on the number of sewerage connection on the property. Service charges based on a basic charge as per Council resolution.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue shall be measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.22. RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

Related parties include:

- Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;
- Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
- Key management personnel, and close members of the family of key management personnel; and
- Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in the 2nd and 3rd bullet, or over which such a person is able to exercise significant influence.

Key management personnel include:

- All directors or members of the governing body of the entity, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting entity being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.23. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.24. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.25. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.26. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information was prepared in accordance with the best practice guidelines issued by National Treasury. The presentation of budget information is in line with the basis of accounting as per the GRAP Framework. GRAP 24: Presentation of Budget Information in Financial Statements is not yet effective. This standard brings new rules in respect of presentation of budget information.

1.27. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

Post retirement medical obligations, Long service awards and Ex gratia gratuities

The cost of post retirement medical obligations, long service awards and ex-gartia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 3 of the Annual Financial Statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of Property, Plant and Equipment.

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

The cost for depreciated replacement cost was determined by using either one of the following:

- cost of items with a similar nature currently in the Municipality's asset register;
- cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- cost as supplied by suppliers.

Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Management referred to the following when making assumptions regarding useful lives of intangible assets:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

- Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

Revenue Recognition

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.). Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Revenue from the issuing of spot fines and summonses has been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods.

Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value of the expected future cash flows to rehabilitate the landfill site at year end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset is charged to the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

Provision for Performance bonuses

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

Pre-paid electricity estimation

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year end, that is still unused. The average pre-paid electricity sold per day during the year under review is used and the estimate is calculated using between 5 and 10 days worth of unused electricity.

Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

1.28. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.29. CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.30. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include errors, and the treatment of assets financed by external grants.

TSANTSABANE MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2 LONG-TERM LIABILITIES

	2012 R	2011 R
Annuity Loans - At amortised cost	2 711 137	2 690 902
Capitalised Lease Liability - At amortised cost	819 151	741 161
Balance as previously reported	-	769 945
Transferred to Accumulated Surplus (Liability Incorrectly stated in 2010) - Refer to note 32.13	-	(28 784)
	3 530 288	3 432 063
Current Portion Transferred to Current Liabilities	992 131	3 080 247
Annuity Loans - At amortised cost	530 051	2 690 902
Capitalised Lease Liability - At amortised cost	462 080	389 346
Total Long-term Liabilities - At amortised cost using the effective interest rate method	2 538 157	351 816

Refer below for maturity dates of long term liabilities:

The obligations under annuity loans are scheduled below:

	Minimum annuity payments	
Amounts payable under annuity loans:		
Payable within one year	654 268	2 714 550
Payable within two to five years	2 420 019	-
Payable after five years	-	-
	3 074 286	2 714 550
Less: Future finance charge obligations	363 149	23 649
Present value of annuity obligations	2 711 137	2 690 902

Annuity loans at amortised cost is calculated at 5% interest rate, with a maturity date of 30 June 2017.

The obligations under finance leases are scheduled below:

	Minimum lease payments	
Amounts payable under finance leases:		
Payable within one year	487 859	442 840
Payable within two to five years	471 711	369 049
Payable after five years	-	-
	959 570	811 890
Less: Future finance charge obligations	140 420	70 728
Present value of lease obligations	819 150	741 161

Leases are secured by property, plant and equipment - Note 11

The capitalised lease liability consist out of the following contracts:

Supplier	Description of leased item	Effective Interest rate	Annual Escalation	Lease Term	Maturity Date
ITEC	ITEC B420 Digital Copier	9%	0%	5 Years	1-Jan-2013
	Bizhub 163	9%	0%	5 Years	1-Jan-2013
	Bizhub 163	9%	0%	5 Years	1-Jan-2013
	Laser Jet 9040 MFP 40PPM Fastres 1200	9%	0%	5 Years	1-Jul-2013
Panasonic	Panasonic KX-TDA100SA IP PABX System	9%	0%	5 Years	1-Apr-2013
Nashua	Nashua - D1425 folder inserter machine	9%	0%	5 Years	30-Apr-2017
Telkom SA	PABX System	9%	0%	5 Years	31-Mar-2017

Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
3 EMPLOYEE BENEFITS		
Post Retirement Benefits - Refer to Note 3.1	9 138 451	6 697 068
Long Service Awards - Refer to Note 3.2	1 546 703	1 178 855
Total Non-current Employee Benefit Liabilities	10 685 154	7 875 923
<u>Post Retirement Benefits</u>		
Balance 1 July	7 118 930	6 129 637
Current service cost	421 862	352 393
Interest Cost	601 294	527 361
Expenditure for the year	(268 980)	(251 484)
Actuarial Loss/(Gain)	1 843 201	361 023
Total post retirement benefits 30 June	9 716 307	7 118 930
Less: Transfer of Current Portion - Note 6	(577 856)	(421 862)
Balance 30 June	9 138 451	6 697 068
<u>Long Service Awards</u>		
Balance 1 July	1 379 847	1 146 784
Current service cost	200 992	128 562
Interest Cost	102 080	92 191
Expenditure for the year	(125 212)	(34 670)
Actuarial Loss/(Gain)	162 046	46 980
Total long service 30 June	1 719 753	1 379 847
Less: Transfer of Current Portion - Note 6	(173 050)	(200 992)
Balance 30 June	1 546 703	1 178 855
<u>TOTAL NON-CURRENT EMPLOYEE BENEFITS</u>		
Balance 1 July	8 498 777	7 276 421
Contribution for the year	622 854	480 955
Interest cost	703 374	619 552
Expenditure for the year	(394 192)	(286 154)
Actuarial Loss/(Gain)	2 005 247	408 003
Total employee benefits 30 June	11 436 060	8 498 777
Less: Transfer of Current Portion - Note 6	(750 906)	(622 854)
Balance 30 June	10 685 154	7 875 923
3.1 Post Retirement Benefits		
The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:		
In-service (employee) members	59	51
In-service (employee) non-members	66	36
Continuation members (e.g. Retirees, widows, orphans)	13	11
Total Members	138	98

TSANTSABANE MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

EMPLOYEE BENEFITS (CONTINUE)

The liability in respect of past service has been estimated to be as follows:

	2012 R	2011 R
In-service members	5 792 796	4 433 183
Continuation members	3 923 511	2 685 747
Total Liability	9 716 307	7 118 930

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2010 R	2009 R
Total Liability	6 129 637	5 648 987

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas;
LA Health
Samwumed; and
Keyhealth.

Key actuarial assumptions used:

i) **Rate of interest**

Discount rate	7.84%	8.61%
Health Care Cost Inflation Rate	7.04%	7.32%
Net Effective Discount Rate	0.75%	1.20%

ii) **Mortality rates**

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

iii) **Normal retirement age**

It has been assumed that in-service members will retire at age 60, which then implicitly allows for expected rates of early and ill-health retirement.

	2012 R	2011 R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	9 138 451	6 697 068
Total Liability	9 138 451	6 697 068

The fund is wholly unfunded.

The municipality has elected to recognise the full increase in this defined benefit liability immediately.

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	7 118 930	6 129 637
Total expenses	754 176	628 270
Current service cost	421 862	352 393
Interest Cost	601 294	527 361
Benefits Paid	(268 980)	(251 484)
Actuarial (gains)/losses	1 843 201	361 023
Present value of fund obligation at the end of the year	9 716 307	7 118 930
Less: Transfer of Current Portion - Note 6	(577 856)	(421 862)
Balance 30 June	9 138 451	6 697 068

TSANTSABANE MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

EMPLOYEE BENEFITS (CONTINUE)

Sensitivity Analysis on the Accrued Liability

Assumption		In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Central Assumptions					
The effect of movements in the assumptions are as follows:		5.793	3.924	9.716	
Assumption	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Health care inflation	1%	6.673	4.273	10.947	13%
Health care inflation	-1%	4.971	3.614	8.584	-12%
Post-retirement mortality	-1 year	6.012	4.104	10.117	4%
Average retirement age	-1 year	6.432	3.924	10.356	7%
Withdrawal Rate	-50%	6.432	3.924	10.356	7%

3.2 Long Service Bonuses

The Long Service Bonus plans are defined benefit plans.

As at year end, the following number of employees were eligible for Long Service Bonuses.

141	119
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Key actuarial assumptions used:

i) Rate of interest

Discount rate	6.50%	7.74%
General Salary Inflation (long-term)	5.97%	6.26%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	0.50%	1.40%

2012	2011
R	R

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	1 546 703	1 178 855
Net liability	1 546 703	1 178 855

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2010	2009
	R	R
Total Liability	1 146 784	1 103 174

Reconciliation of present value of fund obligation:

	2012	2011
	R	R
Present value of fund obligation at the beginning of the year	1 379 847	1 146 784
Total expenses	177 860	186 083
Current service cost	200 992	128 562
Interest Cost	102 080	92 191
Benefits Paid	(125 212)	(34 670)
Actuarial (gains)/losses	162 046	46 980
Present value of fund obligation at the end of the year	1 719 753	1 379 847
Less: Transfer of Current Portion - Note 6	(173 050)	(200 992)
Balance 30 June	1 546 703	1 178 855

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

EMPLOYEE BENEFITS (CONTINUE)

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Liability (Rm)	% change
Central assumptions		1.720	
General salary inflation	+1%	1.841	7%
General salary inflation	-1%	1.611	-6%
Average retirement age	-2 yrs	1.595	-7%
Average retirement age	+2 yrs	1.909	11%
Withdrawal rates	-50%	2.034	18%

3.3 Retirement funds

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in the principles of GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although both the Cape Joint Pension Fund and Cape Joint Retirement Fund are defined as defined benefit plans, it will be accounted for as defined contribution plans.

CAPE JOINT PENSION FUND

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2010 revealed that the fund is in a sound financial position with a funding level of 100% (30 June 2009 - 100%). Actuarial valuations also determined that there were a shortfall in the investment return for the 30 June 2010 financial year.

Contributions paid recognised in the Statement of Financial Performance	42 238	15 859
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CAPE RETIREMENT FUND

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2010 revealed that the fund is in a sound financial position with a funding level of 100.3% (30 June 2009 - 103.3%).

Contributions paid recognised in the Statement of Financial Performance	25 439	24 004
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DEFINED CONTRIBUTION FUNDS

Council contribute to the Government Employees Pension Fund, Municipal Council Pension Fund, IMATU Retirement Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

Contributions paid recognised in the Statement of Financial Performance

IMATU Pension Fund	1 204 984	999 024
Municipal Councillors Pension Fund	56 399	213 247
SALA Pension Fund	542 167	321 453
SAMWU National Provident Fund	1 014 150	994 665
	<u>1 757 577</u>	<u>1 285 229</u>

TSANTSABANE MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
4 NON-CURRENT PROVISIONS		
Provision for Rehabilitation of Landfill-sites	2 922 600	2 677 619
Total Non-current Employee Benefit Liabilities	2 922 600	2 677 619
<u>Landfill Sites</u>		
Balance 1 July	2 677 619	1 284 394
Balance previously reported	-	-
First time recognition of Landfill site Provision - At Cost - Refer to note 32.01	-	1 284 394
Additions	111 100	-
Unwinding of discounted interest	133 881	1 393 225
Balance previously reported	-	-
Unwinding of Interest during 2009/2010 - Refer to note 32.01	-	1 263 393
Unwinding of Interest during 2010/2011 - Refer to note 32.01	-	129 832
Total provision 30 June	2 922 600	2 677 619
Less: Transfer of Current Portion to Current Provisions - Note 7	(1 477 950)	-
Balance 30 June	1 444 650	2 677 619

	2012 R	2011 R
<u>Location</u>		
<u>Estimated decommission date</u>		
<u>Cost of rehabilitation at the end of the useful life</u>		
Postmasburg Old Cell	-	1 407 571
Postmasburg New Cell	111 100	-
Jenn Haven	1 333 550	1 270 048
Total Non-current Provisions	1 444 650	2 677 619

An assumption made in order to obtain the present valuation of the rehabilitation costs have been calculated by taking the future estimated costs and present valuing the cost at a weighted average discount rate.

	2012 R	2011 R
5 CONSUMER DEPOSITS		
Water and Electricity	841 190	515 512
Total Consumer Deposits	841 190	515 512
Guarantees held in lieu of Electricity and Water Deposits	-	-

The fair value of consumer deposits approximate their carrying value. Interest are not paid on these amounts.

TSANTSABANE MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
6 CURRENT EMPLOYEE BENEFITS		
Current Portion of Post Retirement Benefits - Note 3	577 856	421 862
Current Portion of Long-Service Provisions - Note 3	173 050	200 992
Staff Leave	2 357 121	2 151 994
Balance as previously reported	-	2 042 005
Transferred to Statement of Financial Performance (Provision incorrectly calculated) - Refer to note 33	-	109 989
Bonuses	956 506	619 743
Compensation for Injury on Duty	982 894	933 374
Balance as previously reported	-	-
Transferred to Payments from exchange transactions - Refer to note 32.02	-	857 679
Transferred from Statement of Financial Performance (Current year cost correction) - Refer to note 32.02	-	75 695
Total Current Employee Benefits	5 047 427	4 327 965

The movement in current employee benefits are reconciled as follows:

Staff Leave

Balance at beginning of year	2 151 994	1 876 004
Contribution to current portion	307 975	320 004
Expenditure incurred	(102 848)	(44 014)
Balance at end of year	2 357 121	2 151 994

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

CURRENT EMPLOYEE BENEFITS (continued)

Bonuses

Balance at beginning of year	619 743	593 040
Contribution to current portion	1 879 866	-
Expenditure incurred	(1 543 103)	26 703
Balance at end of year	956 506	619 743

Bonuses are being paid to all municipal staff, excluding section 57 Managers. The balance at year end represent to portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.

Compensation for injuries on duty contribution

Balance at beginning of year	933 374	-
Contribution to current portion	49 520	933 374
Expenditure incurred	-	-
Balance at end of year	982 894	933 374

The balance on the compensation for injuries on duty contribution represents the current liability of the municipality that has not yet been paid over to the relevant authorities. There is no possibility of reimbursement.

	2012 R	2011 R
7 PROVISIONS		
Landfill site - Refer to note 4	1 477 950	-
Total Provisions	1 477 950	-

TSANTSABANE MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
8 PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade Payables	20 717 328	20 911 697
Balance as previously reported	-	27 072 257
Transferred to Current Employee Benefits - Refer to note 32.03	-	(857 679)
Transferred from Statement of Financial Performance - Refer to note 32.03	-	35 024
Transferred from Taxes - Refer to note 32.03	-	4 903
Transferred to Accumulated Surplus (Old balance reversed) - Refer to note 32.03	-	(4 582 196)
Transferred to Accumulated Surplus (Stale cheques reversed) - Refer to note 32.03	-	888 273
Transferred to Accumulated Surplus (Discount received reversed) - Refer to note 32.03	-	84 125
Transferred to Accumulated Surplus (Old balance reversed) - Refer to note 32.03	-	(1 724 580)
Transferred to Accumulated Surplus - Refer to note 32.03	-	(8 430)
Sundry Creditors	4 393 977	5 380 226
Balance as previously reported	-	4 161 362
Transferred from Cash and Cash Equivalents - Refer to note 18	-	916 997
Transferred from Cash and Cash Equivalents - Refer to note 18	-	(3 625)
Transferred from Sundry Debtors (Reclassified votes 0511/0846/0000 and 0511/0849/0000) - Refer to note 32.03	-	305 492
Other Creditors	-	-
Payments received in advance	1 550 748	546 625
Total Trade Payables	26 662 053	26 838 548

Payables are being recognised net of any discounts.

Payables are not being paid within 30 days as prescribed by the MFMA. Discounting of trade and other payables on initial recognition is not deemed necessary.

	2012 R	2011 R
PAYABLES FROM EXCHANGE TRANSACTIONS (continued)		
The carrying value of trade and other payables approximates its fair value.		
All payables are unsecured.		
Sundry deposits include hall, builders and housing Deposits.		
The arrear portion of long term liabilities originated as a result of the municipality not settling in full the current portion of the annuity loan as disclosed in note 3.1.		

	2012 R	2011 R
9 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS		
Unspent Grants	18 932 368	9 005 942
National Government Grants	13 184 413	2 082 294
Provincial Government Grants	2 547 592	2 063 820
Public Contribution	3 174 355	2 557 843
Other Grant Providers	26 008	2 301 985
Less: Unpaid Grants	-	8 257
National Government Grants	-	8 257
Provincial Government Grants	-	-
Public Contribution	-	-
Other Grant Providers	-	-
Total Conditional Grants and Receipts	18 932 368	8 997 685

See appendix "D" for reconciliation of grants from other spheres of government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		2012 R	2011 R
10	TAXES		
	VAT PAYABLE		
	VAT Payable	878 749	(125 655)
	Balance as previously reported	-	(120 756)
	Transferred from Statement of Financial Performance - Refer to note 32.05	-	(94)
	Transferred to Statement of Financial Performance - Refer to note 32.05	-	99
	Transferred to Payables from Exchange Transactions (Creditor not raised in 2010/2011) - Refer to note 32.05	-	(4 903)
	VAT output in suspense	-	-
	Total Vat payable	<u>878 749</u>	<u>(125 655)</u>
	VAT is receivable/payable on the cash basis.		

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

11 PROPERTY, PLANT AND EQUIPMENT

Assets pledged as security:

No assets are pledged as security.

Third party payments received for losses incurred:

Payments received (Excluding VAT)	-	31 125
Carrying value of assets written off/lost	-	-
Surplus/Deficit	-	31 125

No third party payments were received for the 2011/12 financial year.

Impairment of property plant and equipment for the year

Impairment charges on Property, plant and equipment recognised in statement of financial performance

Landfill Sites	638	16 036
	638	16 036

The change in accounting estimate is due to the change in the remaining useful life of the asset after the conditional assessment of the assets were performed.

	2011 R	2012 R	2013 R
Effect on Property, plant and equipment	-	2 449 459	-

12 INVESTMENT PROPERTY

Net Carrying amount at 1 July

6 561 092 6 695 265

Cost	6 963 610	6 963 610
Balance as previously reported	-	4 025 180
Transferred from Property, Plant and Equipment - Refer to note 32.12	-	2 938 430

Accumulated Depreciation	(402 518)	(268 345)
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Depreciation for the year	(134 437)	(134 173)
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Net Carrying amount at 30 June 6 426 655 6 561 092

Cost	6 963 610	6 963 610
Accumulated Depreciation	(536 955)	(402 518)

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

Revenue derived from the rental of investment property	-	-
--	---	---

Operating expenditure incurred on properties generating revenue	-	-
---	---	---

Operating expenditure incurred on properties not generating revenue	-	-
---	---	---

Effect of changes in accounting estimates

The change in accounting estimate is due to the change in the remaining useful life of the asset after the conditional assessment of the assets were performed.

	2011 R	2012 R	2013 R
Effect on Investment Property	-	(264)	-

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
13 INTANGIBLE ASSETS		
Computer Software		
Net Carrying amount at 1 July	912 640	1 307 951
Cost	1 812 819	1 795 077
Balance as previously reported	-	2 209 677
Transferred to Property, Plant and Equipment - Refer to note 32.14	-	(414 600)
Accumulated Amortisation	(900 179)	(487 126)
Balance as previously reported	-	(645 097)
Transferred to Property, Plant and Equipment - Refer to note 32.14	-	157 971
Additions	14 445	17 742
Amortisation	(220 697)	(413 053)
Balance as previously reported	-	(492 039)
Transferred to Property, Plant and Equipment - Refer to note 32.14	-	78 986
Net Carrying amount at 30 June	706 388	912 640
Cost	1 827 264	1 812 819
Accumulated Amortisation	(1 120 876)	(900 179)

The following material intangible assets are included in the carrying value above

Description	Remaining Amortisation Period	Carrying Value	
		2012 R	2011 R
Microsoft Office and Windows software	35 months	421 273	565 102
Microsoft Office Professional 2010	24 to 52 months	6 713	6 295
Norton Symantex Antivirus Software	18.5 months	546	901
FMS Sebata	25 to 41 months	410 286	517 986

No intangible asset were assessed having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

There are no contractual commitments for the acquisition of intangible assets.

Effect of changes in accounting estimates

The change in accounting estimate is due to the change in the remaining useful life of the asset after the conditional assessment of the assets were performed.

	2011 R	2012 R	2013 R
Effect on Intangible Assets	-	423 989	-
		2012 R	2011 R
14 INVENTORY			
Stores, materials and fuels		554 348	507 947
Balance as previously reported		-	507 981
Transferred from Statement of Financial Performance - Refer to note 32.1		-	670
Transferred to Statement of Financial Performance - Refer to note 32.1		-	(704)
Water – at cost		82 148	90 364
Total Inventory		636 495	598 311

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
15 RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Electricity	8 460 125	5 445 665
Balance as previously reported	-	5 449 774
Transferred to Statement of Financial Performance - Refer to note 32.08	-	26
Transferred to Statement of Financial Performance - Refer to note 32.08	-	(4 385)
Transferred to Statement of Financial Performance - Refer to note 32.08	-	250
Water	50 844 857	18 316 180
Balance as previously reported	-	18 317 570
Transferred to Statement of Financial Performance - Refer to note 32.08	-	(1 123)
Transferred to Statement of Financial Performance - Refer to note 32.08	-	(1 575)
Transferred to Statement of Financial Performance - Refer to note 32.08	-	8 610
Transferred to Statement of Financial Performance - Refer to note 32.08	-	167
Transferred to Statement of Financial Performance - Refer to note 32.08	-	(13 099)
Transferred to Statement of Financial Performance - Refer to note 32.08	-	5 630
Refuse	9 221 736	8 054 920
Balance as previously reported	-	8 054 345
Transferred to Statement of Financial Performance - Refer to note 32.08	-	(372)
Transferred to Statement of Financial Performance - Refer to note 32.08	-	(158)
Transferred to Statement of Financial Performance - Refer to note 32.08	-	1 104
Sewerage	18 419 230	15 799 151
Balance as previously reported	-	15 796 705
Transferred to Statement of Financial Performance - Refer to note 32.08	-	(208)
Transferred to Statement of Financial Performance - Refer to note 32.08	-	2 654
Other	5 250 522	5 350 838
Balance as previously reported	-	5 363 083
Transferred to Statement of Financial Performance - Refer to note 32.08	-	(7 518)
Transferred to Statement of Financial Performance - Refer to note 32.08	-	(445)
Transferred to Statement of Financial Performance - Refer to note 32.08	-	(178)
Transferred to Statement of Financial Performance - Refer to note 32.08	-	(4 105)
Debtors with credit balances	750 778.32	546 625
Total Receivables from Exchange Transactions	92 196 470	53 513 379
Less: Allowance for Doubtful Debts	(89 124 146)	(52 041 503)
Total Net Receivables from Exchange Transactions	3 072 324	1 471 876

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary

Ageing of Receivables from Exchange Transactions:

(Electricity): Ageing

Current (0 - 30 days)	2 365 517	755 840
31 - 60 Days	1 895 470	471 063
61 - 90 Days	701 777	160 761
+ 90 Days	3 497 361	4 058 001
Total	8 460 125	5 445 665

(Water): Ageing

Current (0 - 30 days)	9 485 551	1 261 858
31 - 60 Days	565 818	372 633
61 - 90 Days	716 356	268 735
+ 90 Days	40 077 133	16 412 955
Total	50 844 857	18 316 180

(Refuse): Ageing

Current (0 - 30 days)	228 452	72 315
31 - 60 Days	176 780	78 778
61 - 90 Days	147 260	73 210
+ 90 Days	8 669 244	7 830 617
Total	9 221 736	8 054 920

TSANTSABANE MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)		
<u>(Sewerage): Ageing</u>		
Current (0 - 30 days)	497 563	77 702
31 - 60 Days	390 691	150 299
61 - 90 Days	674 524	143 058
+ 90 Days	16 856 452	15 428 093
Total	18 419 230	15 799 151
<u>(Other): Ageing</u>		
Current (0 - 30 days)	34 476	307 690
31 - 60 Days	7 773	13 092
61 - 90 Days	22 653	9 990
+ 90 Days	5 185 620	5 020 067
Total	5 250 522	5 350 838
<u>(Total): Ageing</u>		
Current (0 - 30 days)	12 611 559	2 475 405
31 - 60 Days	3 036 532	1 085 865
61 - 90 Days	2 262 570	655 753
+ 90 Days	74 285 809	48 749 732
Total	92 196 470	52 966 754
Reconciliation of Provision for Bad Debts		
Balance at beginning of year	52 041 503	23 248 797
Contribution to provision/(Reversal of provision)	37 082 643	28 792 706
Bad Debts Written Off	-	-
Balance at end of year	89 124 146	52 041 503

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

	2012 R	2011 R
16 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
Rates	6 844 700	4 848 163
Balance as previously reported	-	4 840 798
Transferred from Statement of Financial Performance - Refer to note 32.09	-	948
Transferred from Statement of Financial Performance - Refer to note 32.09	-	105
Transferred to Statement of Financial Performance - Refer to note 32.09	-	(908)
Transferred from Statement of Financial Performance - Refer to note 32.09	-	151
Transferred from Statement of Financial Performance - Refer to note 32.09	-	452
Transferred from Statement of Financial Performance - Refer to note 32.09	-	452
Transferred from Statement of Financial Performance - Refer to note 32.09	-	1 656
Transferred from Statement of Financial Performance - Refer to note 32.09	-	2 796
Transferred from Statement of Financial Performance - Refer to note 32.09	-	1 713
Sundry Debtors	13 663 267	2 096 525
Balance as previously reported	-	1 791 033
Transferred from Sundry Creditors (Reclassified votes 0511/0846/0000 and 0511/0849/0000) - Refer to note 32.09	-	305 492
Debtors with credit balances	799 969	-
Total Receivables from Non-Exchange Transactions	20 507 966	6 944 688
Less: Allowance for Doubtful Debts	(6 829 701)	(4 848 744)
Total Net Receivables from Non-Exchange Transactions	13 678 266	2 095 944

Ageing of Receivables from Non-Exchange Transactions:

TSANTSABANE MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (continued)		
(Rates): Ageing		
Current (0 - 30 days)	254 452	100 750
31 - 60 Days	176 789	97 213
61 - 90 Days	125 585	86 493
+ 90 Days	6 287 873	4 563 707
Total	6 844 700	4 848 163
	2011 R	2010 R
Reconciliation of Provision for Bad Debts		
Balance at beginning of year	4 848 744	441 958
Contribution to provision/(Reversal of provision)	1 980 957	4 406 786
Bad Debts Written Off	-	-
Balance at end of year	6 829 701	4 848 744

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

<u>Summary of Receivables by Customer Classification</u>	Residential, Industrial & Commercial R's	Other Debtors R's	National and Provincial Government R's	Total R's
2012				
Total Receivables	97 879 252	13 663 267	1 161 917	112 704 436
Less: Provision for doubtful debts	(95 953 846)	-	-	(95 953 846)
Total Recoverable debtors by customer classification	1 925 406	13 663 267	1 161 917	16 750 590
<u>Summary of Receivables by Customer Classification</u>	Residential, Industrial & Commercial R's	Other Debtors R's	National and Provincial Government R's	Total R's
2011				
Total Receivables	57 676 864	2 096 525	684 678	60 458 067
Less: Provision for doubtful debts	(56 890 247)	-	-	(56 890 247)
Total Recoverable debtors by customer classification	786 617	2 096 525	684 678	3 567 820

	2012 R	2011 R
17 OPERATING LEASE ARRANGEMENTS		
The Municipality as Lessor (Asset)		
17.1		
Balance on 1 July	-	-
Movement during the year	24 883	-
Balance on 30 June	24 883	-
At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:		
Up to 1 Year	64 500	-
1 to 5 Years	224 003	-
More than 5 Years	500 322	-
Total Operating Lease Arrangements	788 825	-

This lease income was determined from contracts that have a specific conditional income and does not include lease income which has a undetermined conditional income.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
18 CASH AND CASH EQUIVALENTS		
Assets		
Call Investments Deposits	20 497 572	18 781 736
Primary Bank Account	-	-
Cash Floats	2 750	2 230
Balance as previously reported	-	14 742
Transferred to Accumulated Surplus - Refer to note 32.11	-	(2 887)
Transferred to Accumulated Surplus - Refer to note 32.11	-	(5 995)
Transferred to Accumulated Surplus - Refer to note 32.11	-	(5)
Transferred to Payables from Exchange Transactions (Chq 11051568 reallocated) - Refer to note 8	-	(3 625)
Other Cash and Cash Equivalents	0.00	-
Total Cash and Cash Equivalents - Assets	20 500 322	18 783 966

Liabilities

Primary Bank Account	11 839 577	14 390 425
Balance as previously reported	-	16 431 380
Transferred to Payables from Exchange Transactions (Stale cheques reversed) - Refer to note 32.03	-	(888 273)
Transferred to Payables from Exchange Transactions (Stale cheques reversed) - Refer to note 32.03	-	(916 997)
Transferred to Statement of Financial Performance (Stale cheques reversed) - Refer to note 33	-	(149 394)
Transferred to Statement of Financial Performance (Stale cheques reversed) - Refer to note 33	-	(86 028)
Transferred to Consumer deposits (Stale cheques reversed) - Refer to note 32.04	-	(263)
Total Cash and Cash Equivalents - Liabilities	11 839 577	14 390 425

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.

The following investments have been pledged as security for liabilities:
 - 1st CCMB for R125 000 dated 11/10/2000 is held over Erf 1559, Postmasburg
 - 2nd CCMB for R100 000 dated 19/10/2000 is held over Erf 11, Postmasburg
 The following investments have been pledged or ceded:
 - ABSA Fixed Deposit 2062569642
 - ABSA Fixed Deposit 2070317223
 - ABSA Notice Deposit 4084316585

The municipality has the following bank accounts:

Current Accounts

ABSA - Account Number 213-000-00021	(11 839 577)	(14 390 425)
	(11 839 577)	(14 390 425)
ABSA - Account Number 1780000062		
Cash book balance at beginning of year	(16 431 380)	(4 824 071)
Cash book balance at end of year	(11 839 577)	(16 431 380)
Bank statement balance at beginning of year	2 362 098	(1 043 085)
Bank statement balance at end of year	4 296 708	2 362 098

Call Investment Deposits

Call investment deposits consist out of the following accounts:

Call Investments Deposits	20 497 572	18 781 736
ABSA Bank Acc No: 20-6256-9642	281 404	281 404
ABSA Bank Acc No: 40-8431-6585	1 375 309	553 593
ABSA Bank Acc No: 91-1896-0103	1 906	1 906
ABSA Bank Acc No: 91-4243-0487	1 022 633	1 933
ABSA Bank Acc No: 91-4992-3609	1 045	1 045
ABSA Bank Acc No: 91-4992-3764	7 647 024	8 626 100
ABSA Bank Acc No: 91-5766-2037	309 835	1 108
ABSA Bank Acc No: 91-9325-6761	1 578	1 578
ABSA Bank Acc No: 91-9997-6220	1 285	1 285
ABSA Bank Acc No: 92-6852-8140	1 000	-
ABSA Bank Acc No: 20-5952-4576	513 182	513 182
ABSA Bank Acc No: 20-7031-7223	9 336 195	8 798 601
ABSA Bank Acc No: 92-078-3578	5 174	-
	20 497 572	18 781 736

TSANTSABANE MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

19	PROPERTY TAXES	2012 R	2011 R
	<u>Actual</u>		
	Rateable Land and Buildings	6 101 758	4 971 017
	Residential, Commercial Property, State	6 101 758	4 971 017
	Less: Rebates	(1 506)	(432 229)
	Total Assessment Rates	6 100 253	4 538 788
	<u>Valuations - 1 JULY 2009</u>		
	Rateable Land and Buildings		
	Residential		408 855 207
	Commercial		753 414 855
	State		66 081 672
	Municipal		29 283 634
	Total Assessment Rates	-	1 257 635 368
			3
	Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2009.		
	Rates:	c/R	c/R
	Residential	0.009200	0.009200
	Commercial	0.010300	0.010300
	Agricultural	0.001725	0.001725

Rates are levied annually and monthly. Monthly rates are payable by the 15th of the following month and annual rates are payable before 30 October. Interest is not levied on outstanding monthly rates.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

20	GOVERNMENT GRANTS AND SUBSIDIES	2012 R	2011 R
	Unconditional Grants	15 990 000	18 204 391
	Equitable Share	15 990 000	18 204 391
	Conditional Grants	72 525 828	57 047 212
	Grants and subsidies	72 525 828	57 047 212
	Total Government Grants and Subsidies	88 515 828	75 251 603
	The municipality does not expect any significant changes to the level of grants.		
	Equitable share		
20.01	Opening balance	-	-
	Grants received	15 990 000	18 204 391
	Conditions met	(15 990 000)	(18 204 391)
	Conditions still to be met	-	-
	The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.		
	Municipal Infrastructure Grant (MIG)		
20.02	Opening balance	2 040 388	(809 402)
	Grants received	11 888 000	6 339 776
	Conditions met	(12 140 792)	(3 489 986)
	Conditions still to be met	1 787 596	2 040 388
	The grant was used to upgrade infrastructure in previously disadvantaged areas.		

TSANTSABANE MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		2012 R	2011 R
GOVERNMENT GRANTS AND SUBSIDIES (continued)			
Local Government Financial Management Grant (FMG)			
20.03	Opening balance	41 906	784 175
	Grants received	1 450 000	1 200 000
	Conditions met	(1 491 906)	(1 942 269)
	Conditions still to be met	(0)	41 906
<p>The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).</p>			
Municipal Systems Improvement Grant			
20.04	Opening balance	(8 257)	731 890
	Grants received	790 000	750 000
	Conditions met	(781 743)	(1 490 147)
	Conditions still to be met	0	(8 257)
<p>The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.</p>			
Housing Grants			
20.05	Opening balance	19 529	2 231 138
	Grants received	31 106	7 043 941
	Conditions met	-	(9 255 551)
	Grant expenditure to be recovered	50 634	19 529
<p>Housing grants was utilised for the development of erven and the erection of top structures.</p>			
Health Grant			
20.06	Opening balance	5 389	-
	Grants received	2 930 574	753 459
	Conditions met	(2 732 012)	(748 070)
	Grant expenditure to be recovered	203 951	5 389
<p>The grant was used for the development of health related issues in the Postmasburg area.</p>			
Library Grant			
20.07	Opening balance	2 038 902	127 982
	Grants received	508 000	2 110 000
	Conditions met	(253 895)	(199 080)
	Grant expenditure to be recovered	2 293 007	2 038 902
<p>The grant was used for the development of libraries in the Postmasburg area.</p>			
Assmang Grant			
20.08	Opening balance	-	-
	Grants received	9 195 197	5 553 804
	Conditions met	(9 195 197)	(5 553 804)
	Conditions still to be met	-	-
<p>The contribution was used to upgrade infrastructure in previously disadvantaged areas.</p>			

TSANTSABANE MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
GOVERNMENT GRANTS AND SUBSIDIES (continued)		
Assmang/Kumba Sewerage		
20.09		
Opening balance	-	-
Grants received	55 125	1 281 580
Conditions met	(55 125)	(1 281 580)
Conditions still to be met	-	-
The contribution was used to upgrade infrastructure in previously disadvantaged areas.		
Assmang/Kumba SLP		
20.10		
Opening balance	-	-
Grants received	15 520 793	2 810 678
Conditions met	(15 520 793)	(2 810 678)
Conditions still to be met	-	-
The contribution was used to upgrade infrastructure in previously disadvantaged areas.		
Tsasamba/Kumba		
20.11		
Opening balance	2 557 843	-
Grants received	12 189 907	16 439 763
Conditions met	(12 189 907)	(13 881 920)
Conditions still to be met	2 557 843	2 557 843
The contribution was used to upgrade infrastructure in previously disadvantaged areas.		
Lotto Project		
20.12		
Opening balance	26 008	26 008
Grants received	-	-
Conditions met	-	-
Conditions still to be met	26 008	26 008
The grant was used for Lotto projects in the Postmasburg area.		
DBSA Grant		
20.13		
Opening balance	-	-
Grants received	-	-
Conditions met	-	-
Conditions still to be met	-	-
The grant was used for DBSA projects in the Postmasburg area.		
Department of Water Affairs (Repairs & Maintenance)		
20.14		
Opening balance	-	38 262
Grants received	39 927	98 884
Conditions met	(39 927)	(137 146)
Conditions still to be met	-	-
The grant was used for repairs and maintenance on infrastructure in previously disadvantaged areas.		
Department of Water Affairs (Infrastructure)		
20.15		
Opening balance	2 275 977	-
Grants received	26 607 867	18 532 958
Conditions met	(17 487 027)	(16 256 981)
Conditions still to be met	11 396 817	2 275 977
The grant was used to upgrade infrastructure in previously disadvantaged areas.		

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		2012 R	2011 R
GOVERNMENT GRANTS AND SUBSIDIES (continued)			
20.16	EPWP		
	Opening balance	-	-
	Grants received	432 000	-
	Conditions met	(432 000)	-
	Conditions still to be met	-	-
	The grant was used to promote job creation during the financial year.		
20.17	Kolomela (R Beneke)		
	Opening balance	-	-
	Grants received	822 016	-
	Conditions met	(205 504)	-
	Conditions still to be met	616 512	-
	The grant was used to pay for the advisor to the municipality.		
20.18	Total Grants		
	Opening balance	8 997 685	3 130 053
	Grants received	97 196 496	81 119 234
	Conditions met	(87 878 325)	(75 251 603)
	Conditions still to be met/(Grant expenditure to be recovered)	18 315 855	8 997 685
	<u>Disclosed as follows:</u>		
	Unspent Conditional Government Grants and Receipts	18 932 368	9 005 942
	Unpaid Conditional Government Grants and Receipts	-	(8 257)
		18 932 368	8 997 685
21	CONTRIBUTED PPE	2012 R	2011 R
	Assmang Beeshoek Mine	810 000	50 000
	Kolomela Mine	182 382 489	-
	ML Nkosi Electrical	-	43 655
	Total Contributed PPE	183 192 489	93 655
	Contributed PPE represents all assets donated to the municipality - refer to note 11 for the inclusion of assets.		
22	SERVICE CHARGES	2012 R	2011 R
	Electricity	28 440 704	22 417 377
	Water	30 467 924	6 623 864
	Sewerage	9 506 989	5 953 574
	Refuse removal	3 642 759	3 014 956
		72 058 377	38 009 771
	Less: Rebates	(2 567 368)	(5 208 447)
	Total Service Charges	69 491 010	32 801 324
23	OTHER INCOME	2012 R	2011 R
	Sundry income	667 042	268 651
	Insurance claims received	2 329	-
	Discount Received	-	-
	Building Plans	455 081	508 983
	General Donations Received	121 419	1 002 732
	Deposits forfeited	54 931	-
	Grave Fees	23 505	30 711
	Total Other Income	1 324 307	1 811 078
	Sundry income represents sundry income such as copies, tender deposits and reconnection fees.		

TSANTSABANE MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
24 EMPLOYEE RELATED COSTS		
Salaries and Wages	22 621 318	18 738 252
Bonus	1 879 866	1 309 429
Contributions for UIF, pensions and medical aids	4 162 118	3 393 226
Group Life Insurance	141 329	153 084
Housing Subsidy	81 432	77 457
Industrial Council Contributions	11 103	9 016
Leave Reserve Fund	322 975	320 004
Long service awards	200 992	128 562
Overtime	3 309 700	3 287 955
Workmens Compensation	49 520	895 243
Post Employment Health	421 862	352 393
Skills development levy	214 783	207 780
Travel, motor car, telephone, assistance and other allowances	2 316 552	1 760 825
Total Employee Related Costs	35 733 550	30 633 228
KEY MANAGEMENT PERSONNEL		
Municipal Manager and all other Directors are appointed on fixed term contracts.		
REMUNERATION OF KEY MANAGEMENT PERSONNEL		
<i>Remuneration of the Municipal Manager</i>		
Annual Remuneration	425 670	441 874
Performance Bonuses	-	-
Car Allowance	154 000	168 000
Telephone allowance	-	-
Contributions to UIF, Medical and Pension Funds	2 846	1 553
Total	582 516	611 427
<i>Remuneration of the Director Technical Services</i>		
Annual Remuneration	190 809	374 667
Performance Bonuses	-	-
Car Allowance	84 000	154 000
Telephone allowance	-	-
Contributions to UIF, Medical and Pension Funds	773	1 054
Total	275 582	529 721
<i>Remuneration of the Director Financial Services -(contract ended March 2011)</i>		
Annual Remuneration	-	247 462
Performance Bonuses	-	-
Car Allowance	-	98 000
Telephone allowance	-	-
Contributions to UIF, Medical and Pension Funds	-	1 041
Total	-	346 503
<i>Remuneration of the Director Community Services</i>		
Annual Remuneration	381 617	374 667
Performance Bonuses	-	-
Car Allowance	168 000	154 000
Telephone allowance	-	-
Contributions to UIF, Medical and Pension Funds	3 267	1 054
Total	552 884	529 721
<i>Remuneration of the Director Corporate Services</i>		
Annual Remuneration	381 617	375 867
Performance Bonuses	-	-
Car Allowance	168 000	154 000
Telephone allowance	-	-
Contributions to UIF, Medical and Pension Funds	3 826	1 553
Total	553 443	531 420

TSANTSABANE MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		2012 R	2011 R
25	REMUNERATION OF COUNCILLORS		
	Mayor	557 033	545 665
	Councillors	1 729 374	1 746 476
	Total Councillors' Remuneration	2 286 407	2 292 141
	<i>In-kind Benefits</i>		
	The Executive Mayor and all the committee members are full-time. The Mayor are provided with secretarial support and an office at the cost of the Council.		
		2012 R	2011 R
26	DEBT IMPAIRMENT		
	Receivables from exchange transactions - Note 15	32 528 634	28 792 707
	Receivables from non-exchange transactions - Note 16	1 980 956	4 406 786
	Total Contribution to Debt Impairment	34 509 590	33 199 493
		2012 R	2011 R
27	DEPRECIATION AND AMORTISATION		
	Property Plant and Equipment	26 654 972	23 244 405
	Investment Property	134 437	134 173
	Intangible Assets	220 697	413 053
		27 010 106	23 791 631
		2012 R	2011 R
28	IMPAIRMENTS		
	Landfill Site	638	16 036
		638	16 036
		2012 R	2011 R
29	FINANCE CHARGES		
	Trade and Other payables	1 379 287	1 459 313
	Bank	77 335	10 924
	Current Borrowings	445 824	145 668
	Capitalised	133 881	129 832
	Actuarial Interest	703 374	619 552
	Finance lease Interest	57 498	86 886
	Total finance charges	2 797 199	2 452 175
		2012 R	2011 R
30	BULK PURCHASES		
	Electricity	17 540 239	13 616 328
	Water	6 035 929	4 568 265
	Total Bulk Purchases	23 576 168	18 184 594
		2012 R	2011 R
31	GENERAL EXPENSES		
	Advertisements	154 552	169 884
	Auditors Remuneration	198 396	2 893 834
	Bank Charges	219 009	230 237
	Chemicals	314 676	103 265
	Cleaning materials	65 338	96 541
	Community Development and Training	1 007 436	4 160 997
	Consulting and Professional fees	1 133 827	755 683
	Electricity	781 560	578 250
	Fines	48 320	652 654
	Insurance	341 835	325 331
	Motor vehicle expenses	1 298 096	1 006 262
	Postage-Stamps	263 461	217 206
	Printing and stationery	346 970	454 875
	Rentals on Operating lease	8 019	16 016
	Royalties and License fees	451 183	1 008 516
	Subscription fees	715 796	284 096
	Telephone and fax	973 644	895 615
	Travel and subsistence	748 933	1 204 793
	Valuation Costs	192 486	48 491
	Other	541 120	807 693
	General Expenses	9 804 657	15 910 239

TSANTSABANE MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2011
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32 CORRECTION OF ERROR IN TERMS OF GRAP 3

The municipality utilised the Transitional Provisions in Directive 4, issued by the Accounting Standards Board, in prior years. Information for the measurement of the applicable items for which the Transitional Provisions were utilised was since obtained and now restated retrospectively. In addition certain errors were detected which relates to prior years and were also restated retrospectively. The effects of these restatements are listed below.

32.01 NON-CURRENT PROVISIONS

Balance previously reported	-
Transferred from PPE (Rehabilitation cost provision recognised) - Refer to note 32.06	1 284 394
Transferred from Accumulated Surplus (Unwinding of interest until 30 June 2010) - Refer to note 32.11	1 263 393
Transferred from Statement of Financial Performance (Unwinding of interest for 2010/2011) - Refer to note 33	129 832
	2 677 619

32.02 CURRENT EMPLOYEE BENEFITS

Balance previously reported	3 284 602
Transferred from Payables from Exchange Transactions (Correction of Classification) - Refer to note 32.03	857 679
Transferred from Statement of Financial Performance (Provision adjusted according to Ex. 86) - Refer to note 33	109 989
Transferred from Statement of Financial Performance (Correction of current year cost) - Refer to note 33	75 695
	4 252 270

32.03 PAYABLES FROM EXCHANGE TRANSACTIONS

Balance previously reported	31 780 244
Transferred to Current Employee Benefits (Correction of Classification) - Refer to note 32.02	(857 679)
Transferred from Statement of Financial Performance (Creditor not raised in 2010/2011) - Refer to note 33	35 024
Transferred from Taxes (Creditor not raised in 2010/2011) - Refer to note 32.05	4 903
Transferred to Accumulated Surplus (Old Balances written back) - Refer to note 32.11	(4 582 196)
Transferred to Accumulated Surplus (Old Balances written back) - Refer to note 32.11	888 273
Transferred from Cash & cash equivalents (2011 Stale cheques reversed) - Refer to note 32.07	(3 625)
Transferred from Accumulated Surplus (WCA rebate reversed) - Refer to note 32.11	84 125
Transferred to Accumulated Surplus (Old Balances written back) - Refer to note 32.11	(1 724 580)
Transferred to Statement of Financial Performance (Reversal of Interest incorrectly levied) - Refer to note 33	(8 430)
Transferred from Cash & cash equivalents (2011 Stale cheques reversed) - Refer to note 32.07	916 997
Transferred from Sundry Debtors (Reclassified votes 0511/0846/0000 and 0511/0849/0000) - Refer to note 32.08	305 492
	26 838 548

32.04 CONSUMER DEPOSIT

Balance previously reported	515 248
Transferred from Cash and cash equivalents (2011 Stale cheques reversed) - Refer to note 32.07	263
	515 512

32.05 TAXES

Balance previously reported	(120 756)
Transferred from Statement of Financial Performance (Incorrect stock receipts) - Refer to note 33	(94)
Transferred to Statement of Financial Performance (Incorrect stock receipts) - Refer to note 30	99
Transferred from Taxes (Creditor not raised in 2010/2011) - Refer to note 32.03	(4 903)
	(125 655)

32.06 PROPERTY, PLANT AND EQUIPMENT

Balance previously reported	474 826 816
Recognition of Rehabilitation Cost of Landfill site - Refer to note 32.01	1 284 394
Transferred from Accumulated Surplus (Accumulated depreciation until 30 June 2010) - Refer to note 32.11	(657 221)
Transferred from Accumulated Surplus (Accumulated depreciation until 30 June 2010) - Refer to note 32.11	(27 298)
Transferred to Statement of Financial Performance (Impairment charge for the year 30 June 2011) - Refer to note 33	(16 036)
Transferred to Statement of Financial Performance (Depreciation charge for the year 30 June 2011) - Refer to note 33	(59 747)
Transferred from Accumulated Surplus (Accumulated depreciation until 30 June 2010) - Refer to note 32.11	7 300
Transferred to Statement of Financial Performance (Depreciation charge for the year 30 June 2011) - Refer to note 33	(6 290)
Transferred to Investment Property (Land held for sale incorrectly classified) - Refer to note 32.12	(2 938 430)
Transferred from Intangible Assets (Cost of Operating systems incorrectly classified) - Refer to note	414 600
Transferred from Intangible Assets (Accumulated Depreciation of Operating systems incorrectly classified) - Refer to note	(157 971)
Transferred from Intangible Assets (Depreciation for 2011 of Operating systems incorrectly classified) - Refer to note 33	(78 986)
	472 591 131

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

CORRECTION OF ERROR IN TERMS OF GRAP 3 (continued)

2011
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32.07 CASH AND CASH EQUIVALENTS

Balance previously reported	2 365 099
Transferred to Payables from Exchange transactions (2011 Stale cheques reversed) - Refer to note 32.03	1 805 270
Transferred to Statement of Financial Performance (2011 Stale salary cheques reversed) - Refer to note 33	86 028
Transferred to Statement of Financial Performance (2011 Stale Gen Expense cheques reversed) - Refer to note 33	149 394
Transferred to Consumer deposits (2011 Stale cheques reversed) - Refer to note 32.04	263
Transferred to Accumulated Surplus (2011 Stale cheques reversed) - Refer to note 32.11	(2 887)
Transferred to Accumulated Surplus (2011 Stale cheques reversed) - Refer to note 32.11	(5 995)
Transferred to Accumulated Surplus (2011 Stale cheques reversed) - Refer to note 32.11	(5)
Transferred to Payables from exchange Transactions (Chq incorrectly allocated) - Refer to note 32.03	(3 625)
	4 393 541

32.08 RECEIVABLES FROM EXCHANGE TRANSACTIONS

Balance previously reported	1 486 599
Transferred to Statement of Financial Performance (Incorrect water reading captured) - Refer to note 33	(1 123)
Transferred to Statement of Financial Performance (Incorrect water reading captured) - Refer to note 33	(1 575)
Transferred to Statement of Financial Performance (Water connection not levied) - Refer to note 33	8 610
Transferred to Statement of Financial Performance (Refuse incorrectly billed) - Refer to note 33	(372)
Transferred to Statement of Financial Performance (Discount given on the account) - Refer to note 33	(7 518)
Transferred to Statement of Financial Performance (Reversal of levy duplicated) - Refer to note 33	(445)
Transferred to Statement of Financial Performance (Reversal of levy duplicated) - Refer to note 33	(178)
Transferred to Statement of Financial Performance (Sewerage incorrectly billed) - Refer to note 33	(4 105)
Transferred to Statement of Financial Performance (Electricity incorrectly billed) - Refer to note 33	26
Transferred to Statement of Financial Performance (Electricity incorrectly billed) - Refer to note 33	(4 385)
Transferred to Statement of Financial Performance (Water incorrectly billed) - Refer to note 33	167
Transferred to Statement of Financial Performance (Water incorrectly billed) - Refer to note 33	(13 099)
Transferred to Statement of Financial Performance (Refuse incorrectly billed) - Refer to note 33	(158)
Transferred to Statement of Financial Performance (Sewerage incorrectly billed) - Refer to note 33	(208)
Transferred to Statement of Financial Performance (Electricity RD cheques corrected) - Refer to note 33	250
Transferred to Statement of Financial Performance (Water RD cheques corrected) - Refer to note 33	5 630
Transferred to Statement of Financial Performance (Refuse RD cheques corrected) - Refer to note 33	1 104
Transferred to Statement of Financial Performance (Sewerage RD cheques corrected) - Refer to note 33	2 654
	1 471 876

32.09 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Balance previously reported	1 783 087
Transferred from Statement of Financial Performance (Rates not levied) - Refer to note 33	948
Transferred from Statement of Financial Performance (Rates not levied) - Refer to note 33	105
Transferred to Statement of Financial Performance (Rates not levied) - Refer to note 33	(908)
Transferred from Statement of Financial Performance (Rates not levied) - Refer to note 33	151
Transferred from Statement of Financial Performance (Rates not levied) - Refer to note 33	452
Transferred from Statement of Financial Performance (Rates not levied) - Refer to note 33	452
Transferred from Statement of Financial Performance (Rates not levied) - Refer to note 33	1 656
Transferred from Statement of Financial Performance (Rates not levied) - Refer to note 33	2 796
Transferred from Sundry Creditors (Reclassified votes 0511/0846/0000 and 0511/0849/0000) - Refer to note 32.03	305 492
Transferred from Statement of Financial Performance (RD Cheques corrected) - Refer to note 33	1 713
	2 095 944

32.1 INVENTORY

Balance previously reported	598 345
Transferred to Statement of Financial Performance (Incorrect stock receipts) - Refer to note 33	670
Transferred from Statement of Financial Performance (Incorrect stock receipts) - Refer to note 33	(704)
	598 311

TSANTSABANE MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

CORRECTION OF ERROR IN TERMS OF GRAP 3 (continued)

**2011
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32.11 ACCUMULATED SURPLUS/(DEFICIT)

Balance previously reported

**429 979 098
4 301 937**

Transferred to Property, Plant and Equipment (Accumulated depreciation until 30 June 2010) - Refer to note 32.06

(657 221)

Transferred to Property, Plant and Equipment (Accumulated depreciation until 30 June 2010) - Refer to note 32.06

(27 298)

Transferred to Long-Term Liabilities (Lease payment in 2010 not accounted until 30 June 2010) - Refer to note 32.13

28 784

Transferred to Non-Current Provisions (Unwinding of interest until 30 June 2010) - Refer to note 32.01

(1 263 393)

Transferred to Property, Plant and Equipment (Accumulated depreciation until 30 June 2010) - Refer to note 32.06

7 300

Transferred from trade payables from exchange transactions (Old balances written back) - Refer to note 32.03

4 582 196

Transferred from trade payables from exchange transactions (Old balances written back) - Refer to note 32.03

1 724 580

Transferred from Cash and Cash equivalents (Old balances corrected) - Refer to note 32.07

(2 887)

Transferred from Cash and Cash equivalents (Old balances corrected) - Refer to note 32.07

(5 995)

Transferred from Cash and Cash equivalents (Old balances corrected) - Refer to note 32.07

(5)

Transferred to Trade Receivables from Non-Exchange Transactions (WCA rebate reversed) - Refer to note 32.09

(84 125)

434 281 034

32.12 INVESTMENT PROPERTY

Balance previously reported

4 025 180

Transferred from Property, Plant and Equipment (Land held for sale incorrectly classified) - Refer to note 32.06

2 938 430

6 963 610

32.13 LONG-TERM LIABILITIES

Balance previously reported

380 600

Transferred to Accumulated Surplus (Liability incorrectly stated in 2010) - Refer to note 32.11

(28 784)

351 816

32.14 INTANGIBLE ASSETS

Balance previously reported

1 090 283

Transferred to Property, plant and Equipment (Cost of Operating systems incorrectly classified) - Refer to note 32.06

(414 600)

Transferred to Property, plant and Equipment (Accumulated Depreciation of Operating systems ncorrectly classified) - Refer to note 32.06

157 971

Transferred to Property, plant and Equipment (Depreciation of Operating systems incorrectly classified) - Refer to note 32.06

78 986

912 640

33 STATEMENT OF FINANCIAL PERFORMANCE

Balance previously reported

(20 936 841)

Re mapping of income and expenditure in line with GRAP

-

Reclassification of General Expenses to Property Taxes - Refer to note 31

-

Reclassification of Property Taxes from General Expenses - Refer to note 19

-

Transferred from Trade Receivables from Exchange Transactions (Incorrect water reading captured) - Refer to note 32.08

(1 123)

Transferred from Trade Receivables from Exchange Transactions (Incorrect water reading captured) - Refer to note 32.08

(1 575)

Transferred to Trade Receivables from Exchange Transactions (Water connections not levied) - Refer to note 32.08

8 610

Transferred from Trade Receivables from Exchange Transactions (Refuse incorrectly billed) - Refer to note 32.08

(372)

Transferred to Trade Receivables from Exchange Transactions (Water connections not levied) - Refer to note 32.08

(7 518)

Transferred to Trade Receivables from Exchange Transactions (Water connections not levied) - Refer to note 32.08

(445)

Transferred to Trade Receivables from Exchange Transactions (Water connections not levied) - Refer to note 32.08

(178)

Transferred from Trade Receivables from Exchange Transactions (Water connections not levied) - Refer to note 32.08

(4 105)

Transferred to Trade Receivables from Exchange Transactions (Water connections not levied) - Refer to note 32.09

948

Transferred to Inventory (Incorrect stock receipts) - Refer to note 32.1

670

Transferred to Taxes (Incorrect stock receipts) - Refer to note 32.05

94

Transferred from Inventory (Incorrect stock receipts) - Refer to note 32.1

(704)

Transferred from Taxes (Incorrect stock receipts) - Refer to note 32.05

(99)

Transferred from Trade Receivables from Exchange Transactions (Electricity charges not levied) - Refer to note 32.08

26

Transferred from Trade Receivables from Exchange Transactions (Electricity charges not levied) - Refer to note 32.08

(4 385)

Transferred from Trade Receivables from Exchange Transactions (Water connections incorrectly levied) - Refer to note 32.08

167

Transferred from Trade Receivables from Exchange Transactions (Water connections not levied) - Refer to note 32.08

(13 099)

Transferred from Trade Receivables from Exchange Transactions (Refuse incorrectly levied) - Refer to note 32.08

(158)

Transferred from Trade Receivables from Exchange Transactions (Sewerage incorrectly levied) - Refer to note 32.08

(208)

Transferred to Trade Receivables from Non-Exchange Transactions (Incorrect rates captured) - Refer to note 32.09

105

Transferred from Trade Receivables from Non-Exchange Transactions (Incorrect rates captured) - Refer to note 32.09

(908)

Transferred to Trade Receivables from Non-Exchange Transactions (Incorrect rates captured) - Refer to note 32.09

151

Transferred to Trade Receivables from Non-Exchange Transactions (Incorrect rates captured) - Refer to note 32.09

452

Transferred to Trade Receivables from Non-Exchange Transactions (Incorrect rates captured) - Refer to note 32.09

452

Transferred to Trade Receivables from Non-Exchange Transactions (Incorrect rates captured) - Refer to note 32.09

1 656

Transferred to Trade Receivables from Non-Exchange Transactions (Incorrect rates captured) - Refer to note 32.09

2 796

Transferred to Trade Payables from Exchange Transactions (Expense not recorded in 2010/2011) - Refer to note 32.03

(35 024)

Transferred to Property, Plant and Equipment (Impairment charge for the year 30 June 2011) - Refer to note 32.06

(16 036)

Transferred to Non-Current Provision (Unwinding of interest for the year 2010/2011) - Refer to note 32.01

(129 832)

Transferred to Property, Plant and Equipment (Depreciation charge for the year 30 June 2011) - Refer to note 32.06

(59 747)

Transferred to Property, Plant and Equipment (Impairment charge for the year 30 June 2011) - Refer to note 32.06

(6 290)

Transferred from Cash and cash equivalents (2011 stale cheques reversed) - Refer to note 32.07

86 028

Transferred from Cash and cash equivalents (2011 stale cheques reversed) - Refer to note 32.07

149 394

Transferred from Current Employee Benefits (Leave Provision incorrectly calculated) - Refer to note 32.02

(109 989)

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

STATEMENT OF FINANCIAL PERFORMANCE (continued)

2011
R

Transferred to Trade Receivables from Non-Exchange Transactions (WCA rebate reversed) - Refer to note 32.09	8 430
Transferred to Trade Receivables from Non-Exchange Transactions (RD cheques corrected) - Refer to note 32.09	1 713
Transferred from Trade Receivables from Exchange Transactions (RD cheques corrected) - Refer to note 32.08	250
Transferred from Trade Receivables from Exchange Transactions (RD cheques corrected) - Refer to note 32.08	5 630
Transferred from Trade Receivables from Exchange Transactions (RD cheques corrected) - Refer to note 32.08	1 104
Transferred from Trade Receivables from Exchange Transactions (RD cheques corrected) - Refer to note 32.08	2 654
Transferred from Current Employee Benefits (Current Compensation on injury of duty correction) - Refer to note 32.02	(75 695)
Transferred from Current Employee Benefits (Post retirement Medical correction classification) - Refer to note 24	352 393
Transferred from Current Employee Benefits (Post retirement Medical correction classification) - Refer to note 24	(352 393)

Total

(21 133 000)

	2012 R	2011 R
34 RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS		
Surplus/(Deficit) for the year	207 292 167	(21 133 000)
Adjustments for:		
Depreciation	26 789 409	23 378 578
Amortisation of Intangible Assets	220 697	413 053
Gain on disposal of property, plant and equipment	(232 210)	(2 000 000)
Debt Impairment	34 509 590	33 199 493
Contribution to Non-current provision		(1 263 393)
Contribution to bonuses	336 763	26 703
Contribution to staff leave	205 127	275 990
Contribution from/to employee benefits	1 326 228	1 100 507
Contribution from/to Compensation for Injury on Duty	49 520	933 374
Unwinding of Interest on Provision for Tip Sites	244 981	1 393 225
Non-current Employee benefits - expenditure incurred	(394 192)	(286 154)
Actuarial Losses / (Gains)	2 005 247	408 003
Impairment written off	638	16 036
Operating lease income accrued	(24 883)	-
Operating Surplus/(Deficit) before changes in working capital	272 329 084	36 462 415
Changes in working capital	(36 967 954)	8 238 911
Increase/(Decrease) in Trade and Other Payables	(176 495)	14 130 037
Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	9 926 425	5 875 889
Increase/(Decrease) in Taxes	1 004 404	(2 890 365)
(Increase)/Decrease in Inventory	(38 185)	(55 033)
(Increase)/Decrease in Trade and other receivables	(47 692 360)	(8 813 360)
(Increase)/Decrease in Unpaid Conditional Government Grants and Receipts	8 257	(8 257)
Cash generated/(absorbed) by operations	235 361 130	44 701 326

	2012 R	2011 R
35 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Call Investments Deposits - Note 18	20 497 572	18 781 736
Cash Floats - Note 18	2 750	2 230
Bank overdraft - Note 18	(11 839 577)	(14 390 425)
Other Cash and Cash Equivalents - Note 18	0	-
Total cash and cash equivalents	8 660 745	4 393 541

	2012 R	2011 R
36 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES		
Cash and Cash Equivalents - Note 35	8 660 745	4 393 541
Less:		
Unspent Committed Conditional Grants - Note 9	18 932 368	9 005 942
VAT - Note 10	878 749	-
Resources available for working capital requirements	(11 150 371)	(4 612 401)

	2012 R	2011 R
37 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term Liabilities - Note 2	3 530 288	3 432 063
Used to finance property, plant and equipment - at cost	(3 530 288)	(3 432 063)
Cash set aside for the repayment of long-term liabilities	-	-
Cash invested for repayment of long-term liabilities	-	-

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.

TSANTSABANE MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

38 BUDGET COMPARISONS

38.1		2012 R (Actual)	2012 R (Budget)	2012 R (Variance)	2012 (%)
	Revenue by source				
	Property Rates	6 100 253	6 144 499	(44 246)	(1%)
	Government Grants and Subsidies	88 515 828	43 023 782	45 492 046	106%
	Public Contributions and Donations	-	250 000	(250 000)	(100%)
	Fines	82 987	256 608	(173 621)	(68%)
	Service Charges	69 491 010	49 049 908	20 441 101	42%
	Rental of Facilities and Equipment	478 282	353 967	124 315	35%
	Interest Earned - external investments	1 162 282	237 600	924 682	389%
	Licences and Permits	873 648	400 572	473 076	118%
	Agency Services	590 806	-	590 806	100%
	Other Income	1 324 307	112 083	1 212 224	1082%
	Gain on disposal of Property, Plant and Equipment	232 210	9 548 000	(9 315 790)	-98%
		168 851 612	109 377 018	59 474 594	54%
	Expenditure by nature				
	Employee Related Costs	35 733 550	36 584 141	850 591	(2%)
	Remuneration of Councillors	2 286 408	3 488 767	1 202 359	(34%)
	Debt Impairment	34 509 590	5 616 829	(28 892 761)	514%
	Depreciation and Amortisation	27 010 106	2 324 467	(24 685 639)	1062%
	Impairments	638	175 000	174 362	(100%)
	Repairs and Maintenance	1 637 420	3 227 188	1 589 768	(49%)
	Actuarial losses	2 005 247	150 000	(1 855 247)	1237%
	Finance Charges	2 797 199	1 118 026	(1 679 173)	150%
	Bulk Purchases	23 576 168	16 795 371	(6 780 797)	40%
	Operating Grant Expenditure	5 390 951	14 487 441	9 096 490	(63%)
	General Expenses	9 804 657	18 254 614	8 449 957	(46%)
		144 751 935	102 221 844	(42 530 091)	42%
	Net Surplus for the year	24 099 678	7 155 174	16 944 503	237%

TSANTSABANE MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R (Actual)	2012 R (Budget)	2012 R (Variance)	2012 (%)
38.2 Expenditure by Vote				
Rates & Taxes	2 086 485	1 817 404	269 081	15%
Burialground	592 722	945 529	(352 807)	(37%)
Library	2 450 898	2 400 959	49 939	2%
Fire Brigade	2 862	162 199	(159 337)	(98%)
Commonage	790	22 934	(22 144)	(97%)
Procl. Roads	7 542	-	7 542	100%
Caravan Park	342	89 612	(89 270)	(100%)
Municipal Property	1 981 797	2 260 341	(278 544)	(12%)
Parks & Recreation	3 437 830	3 869 612	(431 782)	(11%)
Public Health	729 764	841 619	(111 855)	(13%)
Public Works & Streets	20 782 647	4 981 193	15 801 454	317%
Sewerage	9 176 066	6 479 243	2 696 823	42%
Sanitation	98 124	-	98 124	100%
Security	786 679	651 933	134 747	21%
Pound	-	642	(642)	(100%)
Mayoral Office	711 882	955 526	(243 645)	(25%)
Townsecretary	2 736 586	2 789 475	(52 889)	(2%)
Human Resources	2 183 793	1 935 452	248 341	13%
Town Clerk	4 027 529	3 529 819	497 710	14%
Council General	3 636 155	3 323 272	312 883	9%
Town Treasure	16 260 787	13 098 433	3 162 354	24%
Swimming Pool	3 148	90 487	(87 338)	(97%)
Reticulation	1 170 511	1 968 818	(798 307)	(41%)
Traffic	2 154 319	2 617 193	(462 874)	(18%)
Refuse	2 063 020	4 799 884	(2 736 864)	(57%)
Workshop	1 841 569	2 040 455	(198 886)	(10%)
Electricity	23 424 327	21 019 843	2 404 484	11%
Water Service	39 623 289	6 904 456	32 718 833	474%
Housing	2 941 519	12 625 511	(9 683 993)	(77%)
	144 912 983	102 221 844	42 691 139	42%
	2012 R (Actual)	2012 R (Budget)	2012 R (Variance)	2012 (%)
38.3 Capital expenditure by vote				
Burialground	-	60 000	(60 000)	-100%
Library	1 291 226	3 073 080	(1 781 854)	-58%
Fire Brigade	-	24 200	(24 200)	-100%
Municipal Property	210 113	182 000	28 113	15%
Parks & Recreation	19 656	120 000	(100 344)	-84%
Public Works & Streets	96 216 093	24 923 600	71 292 493	286%
Sewerage	51 897 345	42 279 652	9 617 693	23%
Mayoral Office	22 221	8 000	14 221	178%
Townsecretary	-	42 000	(42 000)	-100%
Town Clerk	-	44 100	(44 100)	-100%
Town Treasure	2 213 212	1 100 000	1 113 212	101%
Reticulation	-	1 500 000	(1 500 000)	-100%
Traffic	86 400	227 500	(141 100)	-62%
Refuse	2 738 730	4 720 000	(1 981 270)	-42%
Workshop	8 278	15 000	(6 722)	-45%
Electricity	51 409 247	2 515 000	48 894 247	1944%
Water Service	24 504 523	3 312 500	21 192 023	640%
Housing	-	25 159 474	(25 159 474)	-100%
	230 617 044	109 306 106	121 310 938	111%

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

39	UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED	2012 R	2011 R
39.1	<u>Unauthorised expenditure</u>		
	Reconciliation of unauthorised expenditure:		
	Opening balance	57 786 653	3 185 418
	Unauthorised expenditure current year - capital	152 152 002	7 834 718
	Unauthorised expenditure current year - operating	58 402 316	46 766 517
	Unauthorised expenditure current year - Conditional grants utilised for operating expenditure	-	-
	Written off by council	-	-
	Unauthorised expenditure awaiting authorisation	268 340 970	57 786 653

Incident	Disciplinary steps/criminal proceedings
<i>Over expenditure on votes</i>	<i>None</i>
<i>Ranamane Phungo Inc, R676 065.60 was paid for legal services rendered, Kumba Iron Ore has paid the Municipality for the above expenditure. R262 809.90 is still outstanding and no provision was made in the budget and supply chain management policy was not adhered to.</i>	<i>None</i>
<i>Masilakhe Management Consultation must be paid R150 000 for the development of a Guest House Business Plan. Kumba is to fund this project however this was not budgeted for and supply chain management policy was not adhered to.</i>	<i>None</i>
<i>Masilakhe Management Consultation was paid R420 000 to purchase a guest house as a LED project. Kumba is to fund this project however this was not provided for in the budget.</i>	<i>None</i>

TSANTSABANE MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

39.2 **Fruitless and wasteful expenditure**

Reconciliation of fruitless and wasteful expenditure:

Opening balance	3 339 854	605 429
Fruitless and wasteful expenditure current year	6 540 522	5 024 626
Written off by council	-	(2 290 200)
Transfer to receivables for recovery	-	-
Fruitless and wasteful expenditure awaiting further action	9 880 377	3 339 854

Incident	Disciplinary steps/criminal proceedings		
Interest and other payments which were made in vain and could have been prevented.	None	-	-
SARS penalties and interest on late submission of EMP 201's.	None	-	496 461
SAMWU/Mabuya - Tsantsabane Municipality - Case No. NCD 111003 (Unfair labour Practice - Mr Mabuya)	None	-	53 100
SAMWU/J. Kaper - Tsantsabane Municipality - Case No. NCD 071023 (Unfair dismissal and re-instatement of J. Kasper)	None	-	25 392
SAMWU Members - Tsantsabane Municipality - Case No. NCD 101005 (Unfair labour practice. Transport allowance of R6.90. The municipality was ordered to pay a once-off amount of R3000 per worker in occupational levels 5-15 and R10 per working day to each	None	-	473 340
SAMWU/Mabuya and 21 other - Tsantsabane Municipality - Case No. 051006 (Residual unfair labour practice. The commissioner ruled that the suspension was procedurally unfair and ordered Tsantsabane Municipality to pay each individual compensation equal to one months' salary.)	None	-	150 425
SAMWU/Thabang Kompi - Tsantsabane Municipality - Case No. NCD 051004 (Unfair dismissal and re-instatement of Kompi. The municipality was ordered to pay an amount of R30 000 to Mr. Kompi.)	None	-	30 000
IMATU/TJ Leeuw and 7 other - Tsantsabane Municipality - Case No. NCD 030708 (Unfair dismissal of applicants. The commissioner ruled that Tsantsane Municipality dismissed the applicants by not appointing them permanently. An amount of R29 302.70 should be paid to each individual.)	None	-	234 422
IMATU/RT Qwadibane and 36 other - Tsantsabane Municipality - Case No. NCD 030710 and Case No. 050701 (Case No. 030710 The arbitrator ordered the employer to pay, retrospective, the difference between the then wage rate as prescribed by the collective agreement applicable then and the wages paid to them as temporary employees. - Case No. 050701 - In this matter the arbitrator held that the applicants were unfairly dismissed and accordingly ordered the employer to pay the individual applicants, each R29 070.)	None	-	1 046 520
IMATU/Benjamin Jason Goeieman - Tsantsabane Municipality - Case No. NCD 110806 (Unfair dismissal of applicant. An amount of R52 965 was ordered to be paid to Mr. Goeieman, the employee had been re-instated, additional amounts should be paid to Mr. Goeieman a) R11 770 (two years thirteenth cheques (2009 and 2010 years) b)R105 930 Eighteen months salary, c) Leave days and other benefits (Not yet ascertained).	None	-	170 665
IMATU/H Beets - Tsantsabane Municipality - Case No. NCD 050804	None	-	20 000
Arbitration award: Boanogile Jack Diphoko. To date the preliminary calculation of salaries accrued from March 2008.	None	-	138 677
Rennies Travel - Not cancelling the meeting of Mr. Henge.	None	-	5 337
Burden A - An amount of R30 000 was paid to train two officials in Body Guarding course - Nobody was trained.	None	-	30 000
Supply chain management unit not adhered to - Request for purchase was only sent on 27 Julie 2011 but the service was provided on 9 May 2011.	None	-	29 890
SARS levied penalties and interest on VAT submitted incorrectly.Amount due to SARS is R4 663 662.43	None	4 663 662	

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

SARS levied penalties and interest on EMP 201's not submitted incorrectly. Amount due to SARS is R3 225 112.63, including penalties and interest.	None	556 007	
Rental agreement (Telkom) and Business proposal (Panasonic) refer. A rental agreement with Telkom from 15 January 2007 for 5 years for a PABX system. On 21 May 2010 an proposal of Panasonic was accepted for the same equipment.	None	812 500	
Purchase of Electricity - Late payments on overdue account (Eskom)	None	185 387	-
Interest on the arrears of the DBSA loan	None	143 534	-
Interest charged on late payment to Engelsman Magabane	None	141 897	-
Interest charged on late payment to Eskom	None	32 329	-
Interest charged on late payment to Telkom	None	5 206	-
		6 540 522	5 024 626

39.3 Irregular expenditure

Reconciliation of irregular expenditure:

Opening balance	48 977 517	29 780 906
Irregular expenditure excluding VAT current year	6 631 710	19 196 611
Written off by council	-	-
Irregular expenditure awaiting further action	55 609 226	48 977 517
Irregular expenditure awaiting condonement by National Treasury	55 609 226	48 977 517

Incident	Disciplinary steps/criminal proceedings		
Construction of sewer network for 212 erven in Boichoko, which is to be funded from Tsassamba funds. No supply chain minutes available and project not in the approved budget.	None	-	3 508 772
Upgrading of Cam Street in Postmasburg, which is to be MIG funded. No supply chain minutes available and project not in the approved budget.	None	-	3 927 000
Construction of a proposed bus and taxi rank, which is to be funded by Tsassamba funds. No supply chain minutes available and project not in the approved budget.	None	-	3 995 227

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Upgrading of streets & stormwater in Postdene, which is to be MIG funded. No supply chain minutes available and project not in the approved budget.	None	-	2 918 335
Construction of Bulk water supply pipeline from existing two boreholes to existing pipeline feeding Boichoko reservoir, which is to be funded by Tsassamba funds. No supply chain minutes available and project not in the approved budget.	None	-	4 847 277
Supply chain management unit not adhered to - Request for purchase was only sent on 20 December 2011 but the service was provided on 4 November 2011. Expense was for Transport people from Groenwater / Maremane/ Jenn Heaven to attend to the handover of mobile clinics.	None	5 500	
Supply chain management unit not adhered to - Request for purchase was only sent on 26 January 2012 but the service was provided on 18 January 2012. Expense was for Transport to Maremane and back.	None	3 400	
Supply chain management unit not adhered to - Request for purchase was only sent on 180 July 2012 but the invoice was dated 09 January 2012. Expense was for A Full page Colour Advertisement within Loka/12 Edition.	None	17 500	
The electrician resigned and his position was not filled. PMG Electrical is used to do electrical repairs. The cost amounted to R299 254	None	315 067	
Advertisements were placed for the positions of Municipal Manager and Director: Technical Services. Positions had not been filled.	None	67 709	
Costs incurred i.r.o. SAMSRA Provincial Games.	None	54 540	
Payments made in excess of original contract for the project relating to Bus and Taxi Rank	None	1 542 601	
Payments made in excess of original contract for the project relating to 1.5ML Reservoir	None	1 475 285	
Payments made in excess of original contract for the project relating to Dolomite Street	None	120 969	
Payments made in excess of original contract for the project relating to Fish and Chips	None	121 851	
Payments made in excess of original contract for the project relating to Pressure Tower	None	1 680 534	
Payments made in excess of original contract for the project relating to Sewer Treatment Works	None	1 226 752	
		6 631 710	19 196 611
		2012	2011

39.4 Material Losses**Water distribution losses**

- Kilo litres disinfected/purified/purchased
- Kilo litres lost during distribution
- Percentage lost during distribution

-	-
-	-
0.00%	0.00%

Electricity distribution losses

- Units purchased (Kwh)
- Units lost during distribution (Kwh)
- Percentage lost during distribution

-	-
-	-
0.00%	0.00%

2012	2011
R	R

40 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT**40.1 Contributions to organised local government - (MFMA 125 (1)(b)) - SALGA CONTRIBUTIONS**

Opening balance	-	-
Council subscriptions	606 902	202 035
Amount paid - current year	(206 902)	(202 035)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	400 000	-

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

40.2 Audit fees - [MFMA 125 (1)(b)]

Opening balance	1 808 037	1 496 307
Current year audit fee	980 635	2 427 082
Amount paid - current year	(190 405)	(619 045)
Amount paid - previous year	(1 808 037)	(1 496 307)
Balance unpaid (included in creditors)	790 230	1 808 037
	2012	2011
	R	R

40.3 VAT - [MFMA 125 (1)(b)]

VAT	878 749	3 122 852
Closing balance - VAT Payable / (Receivable)	878 749	3 122 852

VAT is payable/receivable on the cash basis. VAT is only paid over to SARS once cash is received from debtors and only claimed from SARS once payment is made to creditors.

40.4 PAYE, SDL and UIF - [MFMA 125 (1)(b)]

Opening balance	3 831 995	-
Current year payroll deductions and Council Contributions	4 263 847	3 831 995
Amount paid - current year	(4 205 823)	-
Amount paid - previous year	(3 831 995)	-
Balance unpaid (included in creditors)	58 024	3 831 995

40.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]

Opening balance	145 532	-
Current year payroll deductions and Council Contributions	6 221 968	5 427 467
Amount paid - current year	(5 118 288)	(5 281 935)
Amount paid - previous year	(145 532)	-
Balance unpaid (included in creditors)	1 103 680	145 532

Councillor's arrear consumer accounts - [MFMA 125 (1)(b)]

The following Councillors had arrear accounts for more than 90 days as at 30 June 2012:

	2012	2011
	R	R
	Outstanding	Outstanding
	more than 90	more than 90
	days	days
Councillor A.M. Oliphant	-	-
Councillor J.J. Swart	-	-
Councillor S.R. de Bruin	-	-
Councillor O.M. Mabilo	-	-
Councillor O. Kgoronyane	-	-
Councillor J. Rooiland	730	-
Councillor J.H. Phete	56 153	54 711
Councillor T. Phohle	9 731	4 624
Councillor M. Mashilishili	192	2 585
Councillor N. Pullers	-	927
Councillor M.J. Tonyane	16 639	15 833
Total Councillor Arrear Consumer Accounts	83 445	78 680

40.6 Other non-compliance (MFMA 125(2)(e))

The municipality did not update their website with all relevant documentation as required by Section 75(2) of the MFMA. The matter has only been addressed after year-end.

Payments were not made within 30 days as required by the MFMA.

40.7 Quotations awarded - Supply Chain Management

Deviations from the Supply Chain Management Regulations were identified on the following categories:

Deviations per financial category		
- Between R 0 and R 2 000	-	-
- Between R 2 000 and R 10 000	-	-
- Between R 10 000 and R 30 000	-	-
- Between R 30 000 and R 200 000	-	-
	-	-

No information was available for disclosure purposes.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
41 CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure:		
Approved and contracted for:	-	32 678 443
Total commitments consist out of the following:		
- MIG Projects	-	15 592 391
- SLP Projects with Kolomela Mine	-	6 167 369
- Housing Projects	-	10 918 683
	-	32 678 443
This expenditure will be financed from:		
Government Grants	-	26 511 074
Public Contributions	-	6 167 369
	-	32 678 443
	2012 R	2011 R
42 FINANCIAL RISK MANAGEMENT		

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

(b) Price risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:

1% (2011 - 0.5%) Increase in interest rates	51 277	9 592
0.5% (2011 - 0.5%) Decrease in interest rates	(25 639)	(4 796)

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and other debtors are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to note 15 and 16 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.

Balances past due not impaired:

	2012 %	2012 R	2011 %	2011 R
<u>Non-Exchange Receivables</u>				
Rates	0.00%	-	0.00%	-
<u>Exchange Receivables</u>				
Electricity	0.44%	421 584	0.06%	32 730
Water	0.00%	-	0.00%	-
Refuse	0.00%	-	0.00%	-
Sewerage	0.00%	-	0.00%	-
Other	0.00%	-	0.00%	-
	0.44%	421 584	0.06%	32 730

No receivables are pledged as security for financial liabilities.

Due to the short term nature of receivables the carrying value disclosed in note 15 and 16 of the financial statements is an approximation of its fair value.

The provision for bad debts could be allocated between the different classes of debtors as follows:

	2012 %	2012 R	2011 %	2011 R
<u>Non-Exchange Receivables</u>				
Rates	7.12%	6 829 701	8.52%	4 848 744
<u>Exchange Receivables</u>				
Electricity	6.97%	6 687 167	8.99%	5 117 211
Water	51.66%	49 571 055	30.95%	17 604 867
Refuse	9.60%	9 215 244	14.18%	8 067 188
Sewerage	19.18%	18 402 609	27.80%	15 813 173
Other	5.47%	5 248 070	9.56%	5 439 065
	100.00%	95 953 847	100%	56 890 247

The provision for bad debts could be allocated between the different categories of debtors as follows:

	2012 %	2012 R	2011 %	2011 R
Government	0.00%	-	0.00%	-
Industrial	4.20%	4 025 951	4.20%	2 386 953
Municipal	0.00%	-	0.00%	-
Residential	95.80%	91 927 896	95.80%	54 503 294
Indigents	0.00%	-	0.00%	-
	100.00%	95 953 847	100%	56 890 247

Bad debts written off per debtor class:

<u>Non-Exchange Receivables</u>				
Rates	0.00%	-	0.00%	-
<u>Exchange Receivables</u>				
Electricity	0.00%	-	0.00%	-
Water	0.00%	-	0.00%	-
Refuse	0.00%	-	0.00%	-
Sewerage	0.00%	-	0.00%	-

TSANTSABANE MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Other	0.00%	-	0.00%	-
	0.00%	-	0.00%	-

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Receivables are individually evaluated annually at Balance Sheet date for impairment.

Analysis under credit risk for financial assets that are past due but not impaired:				
Receivables from exchange transactions:				
Electricity			421 584	-

Financial assets exposed to credit risk at year end are as follows:

Receivables from exchange transactions	3 072 324	1 471 876
Receivables from non-exchange transactions	13 678 266	2 095 944
Cash and Cash Equivalents	20 500 322	18 783 966
Unpaid conditional grants and subsidies	-	8 257
	<u>37 250 912</u>	<u>22 360 043</u>

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

(e) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2012				
Long Term liabilities	1 175 101	2 858 756	-	-
Capital repayments	992 131	2 538 157	-	-
Interest	182 970	320 599	-	-
Trade and Other Payables	26 662 053	-	-	-
Cash and Cash Equivalents	11 839 577	-	-	-
	<u>39 676 731</u>	<u>2 858 756</u>	<u>-</u>	<u>-</u>
	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2011				
Long Term liabilities	3 157 391	397 834	-	-
Capital repayments	3 080 247	380 600	-	-
Interest	77 143	17 234	-	-
Trade and Other Payables	26 838 548	-	-	-
Cash and Cash Equivalents	14 390 425	-	-	-
	<u>44 386 363</u>	<u>397 834</u>	<u>-</u>	<u>-</u>

		2012 R	2011 R
43 FINANCIAL INSTRUMENTS			
Financial instruments of the municipality are classified as follows:			
The fair value of financial instruments approximates the amortised costs as reflected below.			
43.1 Financial Assets	Classification		
Receivables			
Receivables from exchange transactions	Financial instruments at amortised cost	3 072 324	1 471 876
Receivables from non-exchange transactions	Financial instruments at amortised cost	13 678 266	2 095 944
Short-term Investment Deposits			
Call Deposits	Financial instruments at amortised cost	20 497 572	18 781 736
Bank Balances and Cash			
Cash Floats and Advances	Financial instruments at amortised cost	2 750	2 230
		<u>37 250 912</u>	<u>22 351 786</u>
SUMMARY OF FINANCIAL ASSETS			
Financial instruments at amortised cost		37 250 912	22 351 786
At amortised cost		<u>37 250 912</u>	<u>22 351 786</u>

TSANTSABANE MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		2012 R	2011 R
43.2	<u>Financial Liability</u>		
	<u>Classification</u>		
	Long-term Liabilities		
	Annuity Loans	2 181 086	-
	Capitalised Lease Liability	357 071	351 816
	Payables from exchange transactions		
	Trade Payables	20 717 328	20 911 697
	Sundry Creditors	4 393 977	5 380 226
	Current Portion of Long-term Liabilities		
	Annuity Loans	530 051	2 690 902
	Capitalised Lease Liability	462 080	389 346
	Bank Balances and Cash		
	Bank Overdraft	11 839 577	14 390 425
		40 481 170	44 114 411
	SUMMARY OF FINANCIAL LIABILITY		
	Financial instruments at amortised cost	40 481 170	44 114 411
44	EVENTS AFTER THE REPORTING DATE		
	The municipality had the following events after reporting date during the financial year ended 2011/2012:		
	Fraud investigation in terms of the third party payments made by the Payroll clerk.		
	Cape Joint Pension fund has claimed R266 945.80 from the Municipality as a result of interest charged as a result of late payments of pension fund contributions.		
45	IN-KIND DONATIONS AND ASSISTANCE		
	Kumba Iron Ore donated funds to assist with payment of guarantees to Eskom	8 173 064	-
	Khumba Iron Ore also donated PPE	180 031 846	-
	Khumba Iron Ore also donated vehicles	2 694 045	-
	Kholomela Mine donated an amount for operating expenditure	5 000 000	-
		195 898 955	-
46	PRIVATE PUBLIC PARTNERSHIPS		
	Council has not entered into any private public partnerships during the financial year.		
47	CONTINGENT LIABILITY		
	Brief Description		
	TD74 - Mark Trust 28133	unknown	unknown
	TD99 - Tabula trade & 1 other	unknown	unknown
	MD223 - Thabula trade and Investment Pty Ltd	unknown	unknown
	TD103 - M & DJ Security Solutions	unknown	unknown
	TSA/0001 - THABULA TRADE APPELSAAK	unknown	unknown
	TSA/0002 - TRUSTGRO PROJECTS (PTY) LTD	unknown	unknown
	TSA/0003 - VALUE DATA WAARDEERDERS & 1 ANDER	unknown	unknown
	TSA/0004 - BIG FIVE CONSTRUCTION	unknown	unknown
	TSA/0005 - WHITE MOUNTAIN MINING CC	unknown	unknown
	TSA/0006 - DISSIPINERE VERHOOR	unknown	unknown
	TSA/0007 - TELKOM	unknown	unknown
	TSA/0008 - BENJAMIN KHOMHAKA	unknown	unknown
	TSA/0009 - OBAKENG CHAETSI	unknown	unknown
	TSA/0010 - ESKOM	unknown	unknown
	Duncan and Rothman (MVD)	2 500 000	-
	Rampai Attorneys (CEE - Civil)	673 316	-
	Eversheds (Vox Orion)	73 983	-
	SAMWU obo Mabuya	53 100	-
	IMATU obo TJ Leeuw & 7 others	234 422	-
	IMATU obo RT Qwadibane & 36 others	1 046 520	-
	IMATU obo H Beets	unknown	-
	IMATU obo RT Qwadibane & others	unknown	-
	Panasonic Business System	unknown	-
		4 581 341	-

TSANTSABANE MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

48 RELATED PARTIES

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

48.01 Related Party Transactions

	Rates - Levied 1 Jul 11 - 30 Jun 12	Service Charges - Levied 1 Jul 11 - 30 Jun 12	Other - Levied 1 Jul 11 - 30 Jun 12	Outstanding Balances 30 June 2012
Year ended 30 JUNE 2012				
Councillors	10 051	47 433	-	89 027
Swart JJ	3 257	9 689	-	46
Tonyane MJ	-	3 607	-	17 044
Oliphant M	-	2 553	-	459
Mashilishile N	-	931	-	931
Phete EEJ	541	3 074	-	56 993
Rooiland J	709	3 112	-	1 611
De Bruin SR	5 229	21 156	-	1 856
Phohle TP	316	3 312	-	10 089
Pullers NR	-	-	-	-
Municipal Manager and Section 57 Employees	531	24 441	82 204	120 124
Moselane MM	-	3 286	28 070	26 880
Isaacs OJ	-	10 556	28 938	75 232
Theys JJ	-	3 314	-	40
Henge S	531	7 286	25 196	17 972

The rates, service charges and other charges are in accordance with approved tariffs that were advertised

48.02 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted.

48.03 Compensation of key management personnel

The compensation of key management personnel is set out in note to the Annual Financial Statements.

48.04 Other related party transactions

The following purchases were made during the year where Councillors or staff have an interest:

Purchase of a guest house for an amount of R420 000 was paid to buy a guest house as a LED project for the municipality. The abovementioned guesthouse was purchased from (I. Williamson).

49 TRANSITIONAL PROVISION TAKEN ACCORDING TO THOSE IN DIRECTIVE 4 - TRANSITIONAL PROVISIONS FOR MEDIUM AND LOW CAPACITY MUNICIPALITIES

49.1 GRAP 19 - Provisions, contingent liabilities and contingent Assets

**2011
R**

The municipality did not measure the rehabilitation costs of the refuse sites in the past in terms of Directive 4, issued by the Accounting Standards Board. Since the previous reporting period the municipality recognised the following non-current provisions:

Refuse tip-sites financed by way of a provision

2 677 619

TSANTSABANE MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

11 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2012

Reconciliation of Carrying Value

	Cost Work-In-Progress					Accumulated Depreciation				Carrying Value
	Opening Balance R	Additions R	Cost Work-In-Progress R	Disposals R	Closing Balance R	Opening Balance R	Additions R	Disposals R	Closing Balance R	R
Land and Buildings	52 827 813	4 092 443	-	-72 000	56 848 256	1 525 913	373 414	-	1 899 327	54 948 929
Land and Buildings	51 543 420	1 353 713	-	-72 000	52 825 132	792 908	321 573	-	1 114 482	51 710 651
Landfill Sites	1 284 394	2 738 730	-	-	4 023 124	733 005	51 840	-	784 845	3 238 279
Infrastructure	470 535 774	224 485 162	0	-	695 020 936	56 592 422	24 416 822	-	81 009 244	614 011 691
Stormwater and Roads	270 392 653	90 713 392	13 447 074	-	374 553 118	35 122 978	13 762 746	-	48 885 723	325 667 395
Sewerage	75 865 591	51 686 008	9 866 476	-	137 418 075	10 835 983	4 565 453	-	15 401 436	122 016 639
Electricity	43 074 055	51 875 846	988 738	-	95 938 639	5 724 369	3 055 852	-	8 780 220	87 158 418
Water	49 669 774	24 389 876	3 053 994	-	77 113 645	4 909 093	3 032 772	-	7 941 865	69 171 780
Buildings	-	633 569	1 116 048	-	1 749 617	-	-	-	-	1 749 617
Work-In-Progress	31 533 701	5 186 470	-28 472 330	-	8 247 842	-	-	-	-	8 247 842
Lease Assets	1 255 054	425 702	-	-	1 680 756	554 271	399 658	-	953 929	726 827
Office Equipment & Vehicles	1 255 054	425 702	-	-	1 680 756	554 271	399 658	-	953 929	726 827
Other Assets	14 989 595	2 804 287	-	-	17 793 882	8 344 498	1 465 717	-	9 810 215	7 983 667
Office Equipment	3 668 316	18 889	-	-	3 687 204	2 119 746	387 162	-	2 506 908	1 180 296
Furniture & Fittings	2 037 275	5 761	-	-	2 043 036	830 525	193 411	-	1 023 935	1 019 100
Plant and Equipment	4 451 745	47 108	-	-	4 498 853	2 279 296	382 148	-	2 661 444	1 837 409
Motor vehicles	4 739 000	2 694 045	-	-	7 433 045	3 074 450	494 915	-	3 569 366	3 863 679
Emergency equipment	75 660	-	-	-	75 660	36 215	6 768	-	42 983	32 677
Other	17 600	38 485	-	-	56 085	4 267	1 312	-	5 579	50 506
	539 608 236	231 807 594	0	-72 000	771 343 830	67 017 105	26 655 610	-	93 672 715	677 671 114

TSANTSABANE MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

30 JUNE 2011

Reconciliation of Carrying Value

Reconciliation of Carrying Value		Cost Work-In-Progress				Accumulated Depreciation				Carrying Value
	Opening Balance R	Additions R		Disposals R	Closing Balance R	Opening Balance R	Additions R	Disposals R	Closing Balance R	R
Land and Buildings	52 827 813	-	-	-	52 827 813	1 176 640	349 273	-	1 525 913	51 301 900
Land and Buildings	51 543 420	-	-	-	51 543 420	519 419	273 490	-	792 908	50 750 511
Balance previously reported	54 481 850	-	-	-	-	-	-	-	-	-
Correction of error - Refer to note 32.06	-2 938 430	-	-	-	51 543 420	519 419	273 490	-	792 908	50 750 511
Landfill Sites	1 284 394	-	-	-	1 284 394	657 221	75 784	-	733 005	551 389
Balance previously reported	-	-	-	-	-	-	-	-	-	-
Correction of error - Refer to note 32.06	1 284 394	-	-	-	1 284 394	657 221	75 784	-	733 005	551 389
Infrastructure	424 244 414	46 291 360	-	-	470 535 774	36 931 679	19 660 744	-	56 592 422	413 943 351
Stormwater and Roads	264 498 097	5 894 556	-	-	270 392 653	22 856 413	12 266 565	-	35 122 978	235 269 675
Balance previously reported	264 498 097	5 894 556	-	-	270 392 653	22 856 413	12 260 675	-	35 117 088	235 275 565
Correction of error - Refer to note 32.06	-	-	-	-	-	-	5 890	-	5 890	-5 890
Sewerage	67 446 559	7 411 589	1 007 443	-	75 865 591	7 063 233	3 772 749	-	10 835 983	65 029 608
Electricity	34 966 595	1 700 597	6 406 863	-	43 074 055	3 800 789	1 923 580	-	5 724 369	37 349 686
Balance previously reported	34 966 595	1 700 597	6 406 863	-	43 074 055	3 808 089	1 923 555	-	5 731 644	37 342 411
Correction of error - Refer to note 32.06	-	-	-	-	-	-7 300	25	-	-7 275	7 275
Water	32 428 980	15 489 754	1 751 040	-	49 669 774	3 211 244	1 697 849	-	4 909 093	44 760 681
Balance previously reported	32 428 980	15 489 754	1 751 040	-	49 669 774	3 211 244	1 697 475	-	4 908 719	44 761 055
Correction of error - Refer to note 32.06	-	-	-	-	-	-	374	-	374	-374
Work-In-Progress	24 904 182	15 794 866	-9 165 347	-	31 533 701	-	-	-	-	31 533 701
Lease Assets	1 255 054	-	-	-	1 255 054	172 232	382 039	-	554 271	700 782
Office Equipment & Vehicles	1 255 054	-	-	-	1 255 054	172 232	382 039	-	554 271	700 782
Balance previously reported	1 255 054	-	-	-	1 255 054	144 935	382 039	-	526 974	728 080
Correction of error - Refer to note 32.06	-	-	-	-	-	27 298	-	-	27 298	-27 298
Other Assets	14 735 936	253 659	-	-	14 989 595	5 476 113	2 868 385	-	8 344 498	6 645 097
Office Equipment	3 563 056	105 259	-	-	3 668 316	1 348 254	771 492	-	2 119 746	1 548 569
Balance previously reported	3 148 456	105 259	-	-	3 253 716	1 190 283	692 506	-	1 882 789	1 370 926
Correction of error - Refer to note 32.06	414 600	-	-	-	414 600	157 971	78 986	-	236 957	177 643
Furniture & Fittings	1 962 459	74 816	-	-	2 037 275	543 542	286 983	-	830 525	1 206 750
Plant and Equipment	4 428 161	23 584	-	-	4 451 745	1 512 428	766 868	-	2 279 296	2 172 449
Motor vehicles	4 689 000	50 000	-	-	4 739 000	2 044 901	1 029 550	-	3 074 450	1 664 550
Emergency equipment	75 660	-	-	-	75 660	24 143	12 072	-	36 215	39 445
Other	17 600	-	-	-	17 600	2 844	1 422	-	4 267	13 333
	493 063 217	46 545 019	-	-	539 608 236	43 756 664	23 260 442	-	67 017 105	472 591 131

**APPENDIX A - Unaudited
TSANTSABANE MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2012**

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2011	Correction	Balance at 1 JULY 2011 Restated	Received during the period	Redeemed written off during the period	Balance at 30 JUNE 2012
ANNUITY LOANS									
DBSA loan	5.00%	61000596	2012	2 690 902		2 690 902	177 935	157 699	2 711 137
Total Annuity Loans				2 690 902	-	2 690 902	177 935	157 699	2 711 137
LEASE LIABILITY									
ITEC B420 Digital Copier	9.00%		2013	44 205		44 205	-	27 185	17 021
Bizhub 163	9.00%		2013	6 441		6 441	-	3 961	2 480
Bizhub 163	9.00%		2013	6 441		6 441	-	3 961	2 480
Laser Jet 9040 MFP 40PPM Fastres 1200	9.00%		2013	54 942		54 942	-	25 094	29 848
Panasonic KX-TDA100SA IP PABX System	9.00%		2013	657 916	(28 784)	629 132	-	329 145	299 987
Nashua D1425 Folder Inserter Machine	9.00%		2017	-		-	250 800	8 568	242 232
Telkkom - PABX System	9.00%		2017	-		-	234 501	9 397	225 103
Total Lease Liabilities				769 945	(28 784)	741 161	485 301	407 311	819 151
TOTAL EXTERNAL LOANS				3 460 847	(28 784)	3 432 063	663 235	565 010	3 530 288

APPENDIX B - Unaudited
TSANTSABANE MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012
MUNICIPAL VOTES CLASSIFICATION

2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus/ (Deficit) R		2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R
4 971 017	(4 543 986)	427 031	Rates & Taxes	6 100 253	(2 086 485)	4 013 767
30 742	(638 408)	(607 666)	Burialground	23 505	(592 722)	(569 217)
219 870	(1 616 932)	(1 397 062)	Library	276 039	(2 450 898)	(2 174 859)
-	(5 068)	(5 068)	Fire Brigade	-	(2 862)	(2 862)
-	-	-	Dynamite Works	-	-	-
-	(4 162)	(4 162)	Commonage	119 535	(790)	118 745
72 119	(1 759)	70 360	Caravan Park	38 720	(342)	38 378
222 341	(1 709 414)	(1 487 073)	Municipal Property	235 102	(1 981 797)	(1 746 694)
-	(3 231 250)	(3 231 250)	Parks & Recreation	432 000	(3 437 830)	(3 005 830)
748 070	(742 373)	5 697	Public Health	2 732 012	(729 764)	2 002 248
20 273 316	(6 549 077)	13 724 238	Public Works & Streets	49 501 771	(20 782 647)	28 719 124
15 605 804	(9 328 293)	6 277 512	Sewerage	6 633 228	(9 176 066)	(2 542 839)
-	(94 382)	(94 382)	Sanitation	-	(98 124)	(98 124)
-	(777 652)	(777 652)	Security	-	(786 679)	(786 679)
881 540	(487 809)	393 731	Mayoral Office	9 000	(711 882)	(702 882)
-	(1 811 407)	(1 811 407)	Townsecretary	-	(2 736 586)	(2 736 586)
121 193	(3 062 896)	(2 941 703)	Human Resources	112 419	(2 183 793)	(2 071 374)
-	(4 749 126)	(4 749 126)	Town Clerk	-	(4 027 529)	(4 027 529)
2 000 000	(3 109 389)	(1 109 389)	Council General	54 931	(3 636 155)	(3 581 224)
22 759 780	(40 331 266)	(17 571 486)	Town Treasure	203 654 989	(16 260 787)	187 394 202
-	(3 075)	(3 075)	Swimming Pool	-	(3 148)	(3 148)
-	(1 531 507)	(1 531 507)	Reticulation	-	(1 170 511)	(1 170 511)
1 409 112	(2 115 674)	(706 561)	Traffic	1 550 990	(2 154 319)	(603 329)
1 322 284	(5 036 024)	(3 713 739)	Refuse	1 771 624	(2 063 020)	(291 397)
-	(1 670 858)	(1 670 858)	Workshop	-	(1 841 569)	(1 841 569)
24 202 694	(24 771 630)	(568 936)	Electricity	27 952 249	(23 424 327)	4 527 922
16 529 400	(15 367 233)	1 162 167	Water Service	51 006 786	(39 623 289)	11 383 496
9 255 551	(8 467 182)	788 368	Housing	(0)	(2 941 519)	(2 941 519)
120 624 832	(141 757 832)	(21 133 000)	Sub Total	352 205 150	(144 912 983)	207 292 167
(1 197 598)	1 197 598	-	Less Inter-Departmental Charges			-
119 427 235	(140 560 234)	(21 133 000)	Total	352 205 150	(144 912 983)	207 292 167

APPENDIX C - Unaudited
TSANTSABANE MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus/ (Deficit) R		2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R
2 881 540	(8 346 324)	(5 464 784)	Executive & Council	63 931	(8 375 566)	(8 311 635)
27 730 797	(44 875 252)	(17 144 455)	Budget & Treasury	209 755 241	(18 347 272)	191 407 970
343 534	(6 583 717)	(6 240 183)	Corporate Services	347 521	(6 902 175)	(6 554 654)
-	(4 162)	(4 162)	Planning & Development	119 535	(790)	118 745
748 070	(742 373)	5 697	Health	2 732 012	(729 764)	2 002 248
250 612	(2 255 339)	(2 004 728)	Community & Social Services	299 543	(3 043 620)	(2 744 077)
9 255 551	(8 467 182)	788 368	Housing	(0)	(2 941 519)	(2 941 519)
1 409 112	(2 898 393)	(1 489 281)	Public Safety	1 550 990	(2 943 861)	(1 392 870)
72 119	(3 236 085)	(3 163 966)	Sport & Recreation	470 720	(3 441 321)	(2 970 601)
1 322 284	(5 036 024)	(3 713 739)	Waste Management	1 771 624	(2 063 020)	(291 397)
15 605 804	(9 422 675)	6 183 130	Waste Water Management	6 633 228	(9 274 190)	(2 640 962)
20 273 316	(6 549 077)	13 724 238	Road Transport	49 501 771	(20 790 189)	28 711 581
16 529 400	(16 898 740)	(369 340)	Water	51 006 786	(40 793 800)	10 212 985
24 202 694	(24 771 630)	(568 936)	Electricity	27 952 249	(23 424 327)	4 527 922
-	(1 670 858)	(1 670 858)	Other	-	(1 841 569)	(1 841 569)
120 624 832	(141 757 832)	(21 133 000)	Sub Total	352 205 150	(144 912 983)	207 292 167
(1 197 598)	1 197 598	-	Less Inter-Departmental Charges	-	-	-
119 427 235	(140 560 234)	(21 133 000)	Total	352 205 150	(144 912 983)	207 292 167

APPENDIX D - Unaudited
TSANTSABANE MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 1 JULY 2011	Correction of error	Restated Balance 1 JULY 2010	Grants Received	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 JUNE 2012
	R	R	R	R	R	R	R
UNSPENT AND UNPAID GOVERNMENT GRANTS AND RECEIPTS							
<u>National Government Grants</u>							
Equitable Share	-		-	15 990 000	15 990 000		-
Municipal Infrastructure Grant	2 040 388		2 040 388	11 888 000	-	12 140 792	1 787 596
Municipal Systems Improvement Grant	(8 257)		(8 257)	790 000	781 743	-	-
Department of Water Affairs (Repairs & Maintenance)	-		-	39 927	39 927	-	-
Department of water affairs (infrastructure)	2 275 977		2 275 977	26 607 867	-	17 487 027	11 396 817
Finance Management Grant	41 906		41 906	1 450 000	1 491 906	-	-
Total National Government Grants	4 350 014	-	4 350 014	56 765 794	18 303 576	29 627 819	13 184 413
<u>Provincial Government Grants</u>							
Department of Housing	19 529		19 529	31 106	-	-	50 634
Health Grant	5 389		5 389	2 930 574	2 732 012	-	203 951
Library Grant	2 038 902		2 038 902	508 000	237 300	16 595	2 293 007
EPWP	-		-	432 000	432 000	-	-
Total Provincial Government Grants	2 063 820	-	2 063 820	3 901 680	3 401 312	16 595	2 547 592
<u>Public Contributions</u>							
Assmang Grant	-		-	9 195 197	-	9 195 197	-
Assmang/Kumba Sewer	-		-	55 125	-	55 125	-
Assmang/Kumba SLP	-		-	15 520 793	-	15 520 793	-
Tsasamba/Kumba	2 557 843		2 557 843	12 189 907	12 189 907	-	2 557 843
Kolomela (R Beneke)	-		-	822 016	205 504	-	616 512
Total Public Contributions	2 557 843	-	2 557 843	37 783 038	12 395 411	24 771 115	3 174 356
<u>Other Grant Providers</u>							
Lotto Project	26 008		26 008				26 008
Total Other Grant Providers	26 008	-	26 008	-	-	-	26 008
Total	8 997 685	-	8 997 685	98 450 512	34 100 300	54 415 529	18 932 368

APPENDIX D - Unaudited
TSANTSABANE MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 1 JULY 2010	Correction of error	Restated Balance 1 JULY 2010	Grants Received	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 JUNE 2011
UNSPENT AND UNPAID GOVERNMENT GRANTS AND RECEIPTS							
	R	R	R	R	R	R	R
<u>National Government Grants</u>							
Equitable Share	-	-	-	18 204 391	18 204 391	-	-
Municipal Infrastructure Grant	1 668 015	(2 477 416)	(809 402)	6 339 776		3 489 986	2 040 388
Municipal Systems Improvement Grant	261 378	470 512	731 890	750 000	1 490 147	-	(8 257)
Finance Management Grant	-	784 175	784 175	1 200 000	1 942 269	-	41 906
Total National Government Grants	1 929 392	(1 222 729)	706 664	26 494 167	21 636 807	3 489 986	2 074 037
<u>Provincial Government Grants</u>							
Department of Housing	1 206 816	1 024 322	2 231 138	7 043 941	8 709 206	546 345	19 529
Health Grant	-	-	-	753 459	748 070	-	5 389
Library Grant	-	127 982	127 982	2 110 000	199 080	-	2 038 902
Total Provincial Government Grants	1 206 816	1 152 304	2 359 120	9 907 400	9 656 355	546 345	2 063 820
<u>Public Contributions</u>							
Assmang Grant	-	-	-	5 553 804	-	5 553 804	-
Assmang/Kumba Sewer	-	-	-	1 281 580	-	1 281 580	-
Assmang/Kumba SLP	-	-	-	2 810 678	-	2 810 678	-
Tsasamba/Kumba	-	-	-	15 363 261	-	13 881 920	1 481 341
Total Public Contributions	-	-	-	25 009 323	-	23 527 982	1 481 341
<u>Other Grant Providers</u>							
Lotto Project	48 026	(22 018)	26 008	-	-	-	26 008
DBSA Grant	-	-	-	-	-	-	-
Department of Water Affairs (Repairs & Maintenance)	-	38 262	38 262	98 884	137 146	-	-
Department of Water Affairs (Infrastructure)	-	-	-	16 256 981	-	16 256 981	-
Total Other Grant Providers	48 026	16 244	64 270	16 355 864	137 146	16 256 981	26 008
Total	3 184 234	(54 181)	3 130 054	77 766 754	31 430 309	43 821 294	5 645 205
							-